


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

June 26, 2014

MEMORANDUM

To: Mr. Eric A. Wilson, Principal
Sligo Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2012, through March 31, 2014

Independent Activity Funds (IAFs) of Montgomery County Public Schools (MCPS) are established to promote the general welfare, education, and morale of students as well as to finance the recognized extracurricular activities of the student body. Principals are the fiduciary agents for the IAFs charged with determining the manner in which funds are raised and expended for activities such as field trips, admission events, and fundraisers. They are responsible for ensuring that IAFs are administered in accordance with MCPS policies, regulations, and procedures.

IAF audits are conducted regularly to evaluate compliance with MCPS policies, regulations, and procedures, and to review processes for continuous improvement. Generally accepted audit procedures guide the work of the auditors who examine samples of IAF records and financial accounts selected from documentation of various activities to verify their accuracy as well as to assess the effectiveness of financial control procedures. An IAF audit does not review every transaction or school activity but seeks to provide reasonable assurance that there is compliance with MCPS policies, regulations, and procedures, and that any significant errors or omissions in the financial records are detected.

In our meeting on June 25, 2014, with you and Ms. Yolanda Alston, financial specialist, we reviewed the status of the conditions described in our prior audit report dated November 26, 2012, and discussed further actions needed to strengthen the accountability for IAF resources. This audit report presents the findings and recommendations resulting from our examination of the IAF records and financial accounts for your school for the period designated above.

Findings and Recommendations

MCPS Form 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-5). The purpose of each disbursement must be fully explained on this form in order to properly record expenditures in

appropriate accounts, and to ensure that expenditures comply with IAF requirements. After the purchase is completed, the purchaser should submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the financial specialist. In our sample of disbursements, we again found that invoices were not always signed by the receiver. We also found that prior approval was not consistently obtained. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and that documentation be attached to confirm the purchase was received in good order.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted to the financial specialist together with MCPS Form 280-34, *Remittance Slip*, on the day the funds are received. We found instances in which staff collecting from students held funds rather than remitting them timely to the financial specialist. Not all remittances were accompanied by a signed remittance slip. We recommend that all staff who collect funds for school activities be reminded of remittance requirements (see MCPS Financial Manual p. 7-4).

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Approval requests and completion reports were not prepared for all fund-raisers. Some available completion reports did not include the total number of items for sale, selling prices, or remaining inventories, thus it was not possible to assure whether all sums collected were remitted to the financial specialist. Following internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event.

Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, eligible students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be provided to the financial specialist at the completion of each trip, and compared to remittances recorded in the trip account reconciliation report. We found that not all sponsors are providing completed data at the conclusion of each trip, so that data can be compared to the final account reconciliation report. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip (see MCPS Financial Manual, p. 20-9).

Summary of Recommendations

- Purchase documents must be annotated to indicate satisfactory receipt of goods or services (repeat);
- Purchase requests must be approved by the principal prior to procurement;

- Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the financial specialist;
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund-Raiser*; and
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Ms. Alston. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations / Independent Activity Funds*, please provide a response to the Internal Audit office within 30 days of this report, with a copy to Dr. Darryl L. Williams, associate superintendent of middle schools. The Office of School Support and Improvement will follow up on this audit.

RWP:VAD:sd

Copy to:

Mr. Bowers
Dr. Statham
Dr. Schiavino-Narvaez
Mr. Sanderson
Dr. Williams
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

Fiscal Management Action Plan

School: Sligo Middle School

Principal: Eric Wilson

Approved by associate superintendent: *Dayle W. White*

Date of approval: 8/11/14

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Purchase documents must be annotated to indicate satisfactory receipt of goods or services.	Will indicate that goods were satisfactorily received by making a notation stating "Received" and the date items were checked on the packing slip.	Effective immediately and ongoing	Packing slips on file marked to demonstrate required change.
Purchase requests must be approved by the principal prior to procurement.	Will continue to require staff to receive approval prior to making purchases using Form 280-54. Will remind staff during pre-service purchased made without prior approval may not be reimbursed.	Effective immediately and ongoing	Information will be shared with staff during pre-service week.
Funds collected by sponsors must be promptly remitted intact with the MCPS Form 280-34 to the financial specialist.	Will reiterate to sponsors the requirement that funds be deposited daily and not held in classrooms.	Effective immediately and ongoing	Information will be shared with staff during pre-service week.
Fundraising must conform to <i>Guidelines for Sponsoring an IAF Fund-Raiser</i> .	Will issue a copy of the guidelines to sponsors when fundraisers are approved and work with sponsors to be sure planned fundraiser follows established guidelines.	Effective immediately and ongoing	Copy of fundraising guidelines will be given to each fundraising sponsor along with their signed fundraiser approval form.
Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip.	Will require field trip sponsors to provide complete information including a list of eligible students, along with the plan for students not attending and complete funds reconciliation	Effective immediately and ongoing	Packets with all necessary forms will be distributed to field trip sponsors along with signed field trip approval form.

Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.