

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

August 9, 2016

MEMORANDUM

To: Mr. Cary D. Dimmick, Principal
Sligo Middle School

From: Roger W. Pisha, Supervisor, Internal Audit *RWP/p*

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2014, through February 29, 2016

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 the IAFs are administered in accordance with MCPS policies, regulations, and procedures.

The 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 the 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 August 4, 2016, with you and Ms. Yolanda M. Alston, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated June 26, 2014, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2015. 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

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Although the sponsors are now submitting fund-raiser request and completion reports, and all reports are signed by you, most forms were not properly completed so that results could be evaluated. Most completion reports did not include the actual total

number of items for sale, selling prices, or remaining inventories; thus, it was not possible to determine whether all sums collected were remitted to the school financial specialist. We recommend following internal control procedures to provide for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event.

MCPS Form 280-54: *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase. 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 the IAF requirements. After the purchase is completed, the purchaser must submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the financial specialist (refer to *MCPS Financial Manual*, chapter 20, page 6). In our sample of disbursements, we found some that did not have adequate documentation to fully explain the reason for the expenditure. We recommend that MCPS Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought for allowable expenditures, and that complete annotated documentation be attached to fully explain the reason for the purchase.

Summary of Recommendations

- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results (repeat).
- Purchase documentation must be adequate to support disbursements.

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 Unit within 30 calendar days of this report, with a copy to Mrs. Diane D. Morris, director of school support and improvement of middle schools. The Office of School Support and Improvement will follow up on this audit.

RWP:VAD:lsh

Copy to:

Members of the Board of Education
Dr. Smith
Dr. Navarro
Dr. Statham
Dr. Zuckerman
Dr. Williams
Mrs. Chen
Mrs. DeGraba

Ms. Diamond
Mrs. Morris
Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

School: Sligo Middle School

Principal: Cary Dimmick

Fiscal Year: 2016-2017

Associate Superintendent: Dr. Darryl Williams

Director: Ms. Diane Morris

Strategic Improvement Focus:

As noted in the financial audit for the period April 14, 2014 to February 29, 2018, strategic improvements are required in the following business processes :

1. Principal last attended IAF Financial Training in March 2016; School Financial Specialist in May 2014
2. Slight overage in Outdoor Ed. Collections. Appeared to be due to mis-posting donations (not tracked on collections records) that should have been posted to the OE/Extra Snacks account, but even so weren't really needed.
3. Grade 8 National Constitution Center trip (11/21/14) collected about \$1350 more than was needed to cover the costs (\$320 was due to bus company refund and about \$150 in donations exceeding scholarship needs). Balance was closed out to Acct 0010 General on 6/26/15. Overages for other trips were applied to future trips or activities in the same group of students.
4. Fundraisers, prior audit: Approval requests and completion reports were not prepared for all fundraisers (2013-2014). Some available completion reports lacked information needed to assure whether all sums completed were remitted to the SFS.
5. Fundraisers, prior audit: When completed at all, an average selling price was usually used to calculate an expected total sales receipt figure that approximated the expectation of the approval request.
6. Fundraisers, prior audit: Some vendors (ex. Scholastic Book Fair, Yankee Candle) proved the expected retail sales totals. However, this information was not used on the completion report.
7. Fundraisers, prior audit: Yankee Candle receipts were \$90 short of the retail total sales listed on the invoices. No analysis was attempted on the completion report.
8. Fundraisers, prior audit: No sales agreement (with the % of profit to be retained by the school) or documentation for online sales was on file for FY16 Fall Cherrydate or FY15 Yankee Candle.
9. FY15 Yearbooks: school paid for 134 books, but only had receipts for 98. Total of 36 books were either unsold (including 9 vendor overruns that could have been returned for credit, but weren't) or the receipts were not remitted to the SFS.
10. FY15 Yearbooks: The vendor would have given credit for the 9 overprints if request would have been made within 30 days of receipt of the 5/28/15 invoice. SFS paid the vendor from a 7/4/15 statement; wasn't given invoice until later.

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11. FY15 Yearbooks: The payment for the final balance due of \$1002.99 was posted to acct #0010 General instead of to Yearbook Acct #3900. The profit/loss statement showed a profit of \$859.65 instead of loss of \$189.34. Note: \$2=159.83 of FY14 expensed were also posted to other accounts.
12. FY15 Yearbooks: The increase in the FY15 sales prices (Before tax, the range was \$28-\$36, after tax, \$26.42-\$33.58) may have contributed to lower sales. Prices did cover the unit cost of \$23.72, but the cost of unsold books wiped out any profit. Note: all FY 14 books were sold at \$25 (after tax, \$23.58; still had a slight loss, as the unit cost was \$23.71).
13. Athletic Allocations (#1900): These funds were used for the purchase of the following prohibited items:
 - Purchase of Intramural/PE equipment: \$400 for table tennis tables, \$1496 for archery equipment
 - Expenditures of \$690 for Athletic awards and Athletic Award dinner
14. Receipts for FY15 PE Clothing: Clothing sales were \$700 short of expectations, but not record of "give-aways" were maintained.
15. Purchasing Cards: Kevin Dove and Michael Anderson has not reviewed all of their purchases in the JP Morgan system.
16. Purchasing Cards: Principal had not approved the FY16 transactions; some transactions remained from previous principal.
17. Purchasing Cards: Some cardholders did not enter the SFO account number for transactions into the JP Morgan system.
18. Cash Disbursements: Some purchases made from Amazon were paid for by direct debits from the checking account, instead of by purchasing card. While MCPS Forms 280-54 were on file, some weren't signed by the principal or were signed after the order was placed.
19. Cash Disbursements: Noted several duplicate vendors within SFO due to some being set up in "Last Name, First Name" format.
20. Admissions Events: Tickets were sold on multiple days for two FY15 events, but only one Tickets and Cash Report (TCR) was prepared for each event. Tickets appeared to only be sold at the door for FY16 events.
21. Sales Tax: A daily summary report wasn't run from the student obligation system to document daily obligations collections.
22. Sales Tax: In order to reconcile acct #0060 MCPS Reimbursements some corrections were still needed to write off some FY14 transitions.
23. Sales Tax: Some accounts lacked a Manager or Group within SFO
24. Sales Tax: A couple misprinted receipts and defaces checks hadn't been voided in SFO.

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School:	Sligo Middle School	Principal:	Cary Dimmick	Fiscal Year:	2016-2017	
	Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
1.	Recommended to take trainings at least once every 3 years.	Principal SFS	None	Tracking System Checks/Balances	Principal / SFS 3 years	
2.	MCPS will always make school whole for the basic trip cost any student who cannot Afford to pay. Also, new sponsor was out due to illness.	SFS Gr. 8 TLs	None	Tracking System Checks/Balances	Monthly and/or Yearly	
3.	Recommended that small end-of-year overages for 8 th grade trips be closed out to the #5000 Field Trip General account. Also, settle accounts earlier to help reduce the cost of the EOY Kings Dominion trip.	SFS Gr. 8 TLs	None	Tracking System Checks/Balances	Monthly and/or Yearly	
4.	Expected Receipts should be calculated as # of Items available for sale (from vendor) at each specific selling price. Calculated receipts should be completed to posted receipts.	SFS Gr. 8 TLs	None	Tracking System Checks/Balances	Monthly and/or Yearly	
5.	Expected Receipts should be calculated as # of Items available for sale (from vendor) at each specific selling price calculated receipts should be completed to posted receipts.	SFS Gr. 8 TLs	None	Tracking System Checks/Balances	Monthly and/or Yearly	
6.	Expected Receipts should be calculated as # of Items available for sale (from vendor) at each specific selling price. Calculated receipts should be completed to posted receipts.	SFS Gr. 8 TLs	None	Tracking System Checks/Balances	Monthly and/or Yearly	
7.	Invoices weren't itemized, and no detailed sales records or price lists on file.	SFS Gr. 8 TLs	None	Tracking System Checks/Balances	Monthly and/or Yearly	

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School: Sligo Middle School	Principal: Cary Dimmick			Fiscal Year: 2016-2017
	SFS	Agreement with %	Agreement with Company showing %	Yearly
8. An agreement showing the profit share % could have been used to calculate expected receipts from total costs.	Gr. 8 TLs			
9. New Sponsor for FY16. The receipts shortfall from either missing remittances or lost revenue from unsold books was at least \$1008 (at the lowest sales price of \$28)	SFS Yearbook Sponsor	None	Tracking System Checks/Balances	Monthly and/or Yearly
10. The School could have reduced the cost by \$180 if credit had been requested.	SFS Yearbook Sponsor	None	Request Credit if Needed	Yearly
11. All expenses for an activity should be posted to its own account. Any negative balance should have been subsidized by a transfer (from #0010).	SFS Yearbook Sponsor	None	Tracking System Checks/Balances	Monthly and/or Yearly
12. While the minimum price should be set high enough to cover costs (including tax) and tiered pricing can encourage early sales, a too high final price can result in a loss from unsold books. NOTE: FY16 yearbook sales broke even, with pre-tax prices of \$28 (5 books), \$32 (78 books) and \$35 (23 books). Minimum print order seems to be 125 books.	SFS Yearbook Sponsor	None	Tracking System Checks/Balances	Monthly and/or Yearly
13. May only be used on direct expenses of softball, soccer, cross country, and basketball. Accumulated intramurals (#1910) balance of \$1525 was also used on archery equipment; this was an allowable use of the \$450 annual allocation. Expressly prohibited by MS Athletic guidelines	Athletic Director SFS	None	Tracking System Checks/Balances	Monthly and/or Yearly

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14. For FY17, most sales will be made online. Sponsor will set up a tracking system for giveaways and sales of inventoried products.	PE CS SFS	None	Tracking System Checks/Balances	Yearly
15. Should be reviewed by the 5 th day of the following month.	Card Holder SFS	None	Review by 5 th day of month	Monthly
16. Should be approved by the 10 th day of the following month. Need to work with the DOC to get access to earlier transactions.	Principal	None	Review by 5 th day of month	Monthly
17. Intended to assist the SFS in paying the MCPS invoices.	SFS Principal	None	Review by 5 th day of month	Monthly
18. Direct debits subvert the internal controls set up within the purchasing card system (Transition/monthly limits, authorization and review procedures). Potentially exposes checking account to unauthorized access via hacking. Practice has been discontinued.	Card Holder SFS	None	Tracking System Checks/Balances	Monthly and/or Yearly
19. Most have been inactivated. See list for few remaining.	SFS	None	Talk to DOC	Immediately Done Summer 2016
20. Will need to talk to the DOC about district-wide vendors.	SFS	None	Talk to DOC	Immediately Done Summer 2016
21. Each day tickets are sold, a TCR should be prepared and tickets returned reconciled to cash received. The posted receipt number and date should be recorded on the TCR.	SFS Sponsors	None	Tracking System Checks/Balances	Monthly and/or Yearly

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School:	Principal:	Fiscal Year:
Sligo Middle School	Cary Dimmick	2016-2017
22. School began tracking obligations tracking to Bill Harmon's system during FY15. Auditor showed SFS how to run the daily report.	SFS	Completed FY15
23. Correcting entries were recorded and account balance was subsequently kept reconciled to equal outstanding reimbursement requests.	None	Done Summer 2016
24. Lists give to SFS; corrections made.	None	Completed FY15
25. All numbered stock should be accounted for within SFO.	SFS	Done Summer 2016

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSI) REVIEW & APPROVAL

Approved Please revise and resubmit plan by _____

Comments: _____

Director: Diane D Morris Date: 9/16/16