


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

August 28, 2012

MEMORANDUM

To: Mr. Samuel A. Rivera, Principal
Springbrook High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
March 31, 2011, through April 30, 2012

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 August 10, 2012, with you, Mrs. Chris Grasso, school business administrator, and Ms. Lana Campbell, financial specialist, we reviewed the status of conditions stated in our prior audit report, and discussed further actions needed to strengthen the accountability for IAF resources. We noted that your appointment as principal was effective July 1, 2011, and that you had attended school finance training in 2009. It is recommended that you attend again to receive updated information. The conditions and our recommendations appear below.

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 random sample of disbursements, prior approval again was not consistently obtained. We also noted that documentation was not annotated by the recipient to indicate purchased goods or services were satisfactorily received. By requiring prior approval and verification that purchases were received, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by the principal at the time verbal approval is sought so that invoices or receipts bear a date subsequent to the approval date. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining your approval at the beginning of the school year. These budgets should be monitored by your financial specialist and revised if necessary. We also recommend that purchasers evidence their verification that purchases were satisfactorily received.

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 again found instances in which staff collecting funds for field trips, fund raisers, and other activities were holding funds rather than remitting them timely to the financial specialist. We recommend that all staff who collect funds for school activities be reminded of remittance requirements (see MCPS Financial Manual p. 7-4).

Admission receipts for athletic and non-athletic events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. Admissions must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and perpetual inventory of tickets. We continued to note that the financial specialist sold tickets for some non-athletic events, while also issuing tickets and reconciling receipts to the ticket control report. We also noted that ticket control reports were not always prepared after each day's sales and cross-referenced to a specific numbered receipt. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events and, in order to provide effective controls over all admission events, assigned duties adhere to the regulation.

In addition to the above weaknesses previously identified, additional conditions in controls need to be strengthened. Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account statement for each month in which transactions have been recorded in their accounts and be required to verify that transactions have been correctly recorded. In order to provide an independent review, no activity account should be assigned to the financial specialist. We found some sponsors did not return these statements, and that the financial specialist served as sponsor of some accounts. We recommend sponsors be required to review and resolve any discrepancies in their accounts and return the signed statements to the financial specialist. We recommend a procedure be established to ensure that all statements are

reviewed and returned, and that any accounts assigned to the financial specialist be reassigned (see MCPS Financial Manual, p. 20-9).

MCPS Board of Education Policy JNA, *Curricular Expenses for Students*, requires all course-related fees charged students be approved by the Office of School Support and Improvement (OSSI). Fees are to be used to purchase items or materials that become the property of the students paying the fees. The cost of any item approved as a fee by OSSI and paid by students cannot also be charged to operating budget funds. Our review of student fees noted that fees collected for some courses were used to purchase items that did not become the property of the student, but rather to cover expenses incurred in the operation of the program. In other cases costs were paid out of appropriated funds, even though fees were collected from students or money was raised through a fund raiser. We recommend that care be exercised to ensure fees are only charged if approved and needed to benefit the students who paid them. We also recommend that MCPS operating budget funds be used judiciously.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We found that there was a lack of adherence to these guidelines. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. Each fund raiser should be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund raising activity should be recorded in a separate account in the 800 series and a completion report prepared that analyzes the results (see MCPS financial manual, p. 20-11).

Sponsor of field trips should have a complete class or club roster of student names and annotate how much 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 turned in to the financial specialist at the completion of each trip, and compared to remittances recorded in the trip account reconciliation report. We found not all sponsors are turning in completed data at the conclusion of each trip, and that data is not being 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. We further recommend that this data be compared with posted receipts to assure all expected funds were remitted (see MCPS Financial Manual, p. 20-9).

Control over the yearbook activity needs improvement. The yearbook sponsor is required to keep detailed records of the number of books sold, the price charged as well as the number of books distributed free of charge (see MCPS Financial Manual, p. 20-11). The records kept by the yearbook sponsor did not enable us to reconcile the number of books purchased with the number sold, given free, and the remaining inventory. We were therefore unable to determine that all funds generated from this activity had been remitted. In addition, over fifteen percent of the books printed for FY 2012 remained unsold, contributing to the school's inability to recover

its costs through the selling price. We recommend the yearbook sponsor be counseled and assisted with the record-keeping business decisions required for this activity.

Contracts for school pictures shall specifically state the terms of the contract including commissions, rebates, bonuses, and free items provided by the contractor. Once the contract is approved by the principal, it must be monitored to ensure compliance. We discovered that the \$3,000 signing bonus due when the contract was renewed May 9, 2011, had not been received. Although at our request the contractor was contacted and agreed the payment was due, we understand that as of our exit conference the payment still had not been received. We recommend that the school business administrator continue to pursue this matter, and that she establish a process for monitoring contract activity to ensure that all statements are received and filed, commissions due are received, and other terms such as free items and signing bonuses have been met.

Summary of Recommendations

- Expenditure of funds must be approved by the principal prior to procurement (repeat);
- Receipt of goods or services must be confirmed prior to disbursement;
- Funds collected must be promptly remitted by sponsors to the financial agent (repeat);
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA (repeat);
- Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the financial agent, and the financial specialist may not serve as an account sponsor;
- Student fees must be collected and spent in accordance with MCPS Policy JNA;
- Fund raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*;
- 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;
- Yearbook sales should be conducted in a manner to cover costs, with all books available for sale accounted for and reconciled to posted receipts; and
- Contracts should be monitored to ensure vendors comply with the terms.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff. 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. Myra Smith, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:VAD:DKH:sd

Copy to:

Mr. Bowers

Dr. Statham

Dr. Schiavino-Narvaez

Mr. Talley

Dr. Smith

Mrs. DeGraba

Mrs. Milwit

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Samuel A. Rivera, *Principal*


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September 25, 2012

MEMORANDUM

To: Mr. Roger W. Pisha, Supervisor, Internal Audit

From: Samuel A. Rivera, Principal 

Subject: Response to memo Report on Audit of Independent Activity Funds for the Period March 31, 2011, through April 30, 2012

Thank you for meeting with Ms. Christine Grasso, business administrator, Ms. Lana Campbell, financial specialist, and me regarding the condition of our financial records and further actions needed to strengthen the accountability for Independent Activity Fund (IAF) resources.

The Springbrook *IAF Financial Guidelines* was updated and handed out to each staff member during pre-service week asking that all review it thoroughly and keep it with their permanent records for reference when needed. This same document and associated forms were also placed in a "Financial Center" file in T-shared.

In addition, the following actions have been taken based on your recommendations for improvement:

- **Expenditure of funds must be approved by the principal prior to procurement (repeat):**
During pre-service staff were reminded that it is mandatory to complete a Montgomery County Public Schools (MCPS) Form 280-54, *Independent Activity Fund Request for a Purchase*, for principal approval/signature prior to any purchase over \$150. The principal also established a \$150 spending maximum without prior principal approval provided an IAF funding source is identified and approved by the business administrator prior to the purchase.
- **Receipt of goods or services must be confirmed prior to disbursement:**
Staff were also informed that after the approved purchase, the purchaser must submit the receipt/invoice/documented evidence, annotated to indicate satisfactory receipt of the goods/services to the financial specialist.
- **Funds collected must be promptly remitted by sponsors to the financial agent (repeat):**
Staff collecting funds from students whether for course related fees, field trips or fund raisers were reminded and will be continually reminded by their resource teachers and at faculty

meetings that they must remit those funds to the financial specialist together with MCPS Form 280-34, *Remittance Slip*, the day the funds are received.

- **Admission events must be conducted in accordance the MCPS Regulation DMB-RA (repeat):**

The financial specialist will continue as the ticket controller and report auditor but will no longer sell any tickets for non-athletic events. As ticket controller, the financial specialist has established and now is using a virtual/perpetual inventory ticket system

- **Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the financial agent, and the financial specialist may not serve as an account sponsor:**

A new process was put in place beginning with the August 2012 reconciliation reports to insure that all reports are returned in a timely manner by the account sponsors each month. Also, in order to provide independent review, all IAF accounts previously assigned to the financial specialist were reassigned to either Mr. Rivera or Ms. Grasso.

- **Student fees must be collected and spent in accordance with MCPS Policy JNA:**

Student fee and operating budget expenditures will be more closely monitored by the business administrator for appropriate spending. To more accurately predict fiscal year expenditures needs, the business administrator will meet in early March with all curriculum resource teachers to assess and ensure new courses are budgeted appropriately.

- **Fund raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*:**

Beginning this fiscal school year, an updated fundraising request and completion report form was developed and is provided to each fund raising sponsor in hard copy and/or electronically in Springbrook's "Financial Center" along with a current copy of the MCPS *Guidelines for Sponsoring an Independent Activity Fund Raiser*. The business administrator will continue to work with sponsors of fund raisers individually to insure compliance with MCPS guidelines.

- **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:**

At the end of any field trip, sponsors of field trips will be required to submit to the financial specialist a completed class/club roster of student names with annotations indicating how each student paid, eligible students who did not participate in the trip, and students who received waivers, scholarships, and/or reduced fees. The financial specialist will ensure that the data reconciles with remittances recorded in the trip account reconciliation report.

- **Yearbook sales should be conducted in a manner to cover costs, with all books available for sale accounted for and reconciled to posted receipts:**

Although FY12 yearbook sales prices were assessed to cover costs of yearbooks, the sponsor could not have predicted 50+ books remaining unsold. Therefore, the business administrator renegotiated the FY13 yearbook contract reducing the total number of printed books, removed ad

sales in computed book cost, will cut off presales at 150 books (at \$10 reduced price), and will counsel/assist the yearbook sponsor with record-keeping.

- **Contracts should be monitored to ensure vendors comply with the terms:**

The \$3000 signing bonus due at the time of Springbrook's contract renewal for school pictures has been received since the date of this audit exit conference.

In addition, Mr. Rivera and Ms. Campbell plan to attend a school finance training session when one becomes available.

As stated in your August 28, 2012, memo Report on Audit of Independent Activity Funds for the Period March 31, 2011, through April 30, 2012, all other matters were discussed and satisfactorily resolved.

SAR:lsj

