


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

December 14, 2015

MEMORANDUM

To: Dr. Frank H. Stetson, Acting Principal  
Springbrook High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
December 1, 2013, through August 31, 2015

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 November 30, 2015, with you, Mrs. Mary Neumann, business administrator, and Mrs. Melinda Larson, financial specialist, we reviewed the status of the conditions described in our prior audit report dated February 28, 2014, and the status of present conditions. We noted the progress made to improve conditions described in our previous report, such as the establishment of a separate account for clothing sold by the school store, the use of a perpetual inventory for tickets to admission events, and the collection of transcript fees by the registrar instead of the financial specialist.

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. It should be noted that there was a great deal of turnover within the business office staff during the audit

period. The financial specialist for the beginning of the audit period was out on extended medical leave for what ultimately became a terminal illness. A temporary substitute served until Mrs. Neumann became the financial specialist effective April 5, 2014. Effective July 1, 2015, Mrs. Neumann became the business administrator and Mrs. Larson became the financial specialist.

### Findings and Recommendations

While we commended you for progress made, some conditions continue to need improvement. Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with MCPS Form 280-34, *Remittance Slip*, to the financial specialist on the day the funds are received. We again found instances in which staff collecting funds did not remit them in a timely manner. We recommend that all staff who collect funds for school activities be reminded of remittance requirements (see MCPS Financial Manual p. 7-4).

MCPS Form 280-54, *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 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 (see MCPS Financial Manual, pp. 20-6, 20-7). In our sample of disbursements, we again found that invoices were not always signed by the receiver and that disbursements did not always have adequate documentation to fully explain the reason for the expenditure. We recommend that complete annotated documentation be attached to fully explain the reason for the purchase.

MCPS Regulation DMB-RA, *Control of Admission Receipts*, provides requirements for the accounting for sales of admission tickets. We again found that the same color ticket was used for different admission prices at the same event and that not all unsold tickets were returned at the conclusion of an event. We recommend that admission to all events be controlled in accordance with the above cited regulation.

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. 20-13). The records kept by the yearbook sponsor again were insufficient for us to reconcile receipts and disbursements recorded in the account with the numbers of books purchased, sold, given free, and ending inventory. We recommend the yearbook sponsor receive instruction in the record-keeping required for this activity.

In addition to the above weaknesses previously identified, additional conditions in controls need to be strengthened. Unless prohibited, a principal may delegate in writing the authority to transact financial business to another individual. Any delegation impacting IAF actions shall be updated each fiscal year and filed in the school financial office (see MCPS Financial Manual, p. 20-4). Although we found no annually updated written delegation on file, we noted various



documents signed by assistant principals or the business administrator acting in the principal's absence. We also noted the use of a rubber stamp of the principal's signature to authorize some activity account transfers. We recommend the principal sign, at the beginning of each fiscal year, a memo designating an acting principal and any other delegations of approval authority.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card Users Guide*. By the fifth of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements must be printed and provided to the principal, with all purchase receipts and invoices attached. The principal must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. We found that some cardholders had not promptly reviewed their transactions in the online reconciliation program. We also found that the principal had not approved all transactions online. Action is needed to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

In accordance with the MCPS Financial Manual, p. 20-5, aggregate school expenditures for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per full-time equivalent (FTE) per fiscal year without the prior written authorization of the chief operating officer (COO). We found that expenditures for staff refreshments and appreciation exceeded the total amount allowed in FY 2015, without approval from the COO. We also found that not all such expenditures were recorded in the correct accounts. Such commingling increases the time required to determine whether or not guidelines have been followed and decreases the value of your financial reports for decision making. We recommend adherence to the guidelines.

Checks that are not cashed by their payees are considered abandoned property and, by law, belong to the state. MCPS is required to remit uncashed checks to the state of Maryland through an annual escheat filing. Uncashed checks written out of a school's IAF must be reported to the Division of Controller (DOC) for inclusion in the annual filing (MCPS Financial Manual, pp. 18-1, 18-2). We noted thirty uncashed checks that had been voided without replacement checks being sent to the payees and that had not been reported to the DOC. We recommend the procedures for escheatment, outlined in Appendix I of Chapter 20 of the MCPS Financial Manual and annual instructions, be followed.

Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise (see MCPS Financial Manual, p. 18-2). Our examination revealed that taxes were not collected on all items sold to students, and that not all taxes collected were remitted to the state. We recommend that the school comply with these requirements.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund-Raiser*. In our sample we noted one fund-raiser that began before approval was obtained. For several fund-raisers, the completion reports submitted at the conclusion of the

activity did not fully evaluate results. Proceeds were sometimes transferred to benefiting accounts before completion reports were prepared or reviewed. A completion report for an activity involving the sale of items should include the total number of items for sale, selling prices, and any remaining inventories to determine 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 activity (see MCPS Financial Manual, pp. 20-12, 20-13).

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 agent at the completion of each trip, and compared to remittances recorded in the trip account history report. The data also should be used to estimate future trips. We found that not all sponsors provided completed data at the conclusion of each trip, and that data was not compared to the final account history report. We also found instances in which fees collected were less than the sums needed to pay for a trip. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or especially its spreadsheet equivalent, to record trip fees collected and to provide complete data at the conclusion of each trip. We further recommend trip planning be reviewed to ensure established fees are commensurate with trip expenses (see MCPS Financial Manual, p. 20-10).

#### Summary of Recommendations

- Funds collected by sponsors must be promptly remitted to the financial specialist (repeat);
- Purchase documentation must be adequate to support disbursements (repeat);
- Purchaser must confirm receipt of goods or services prior to disbursement (repeat);
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA (repeat);
- Yearbook sponsor records must account for the number of books purchased, sold, distributed at no cost, and ending inventory (repeat);
- Written delegations of the principal's authority to transact IAF financial business, updated for each fiscal year, shall be filed with the IAF records;
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*;
- Staff appreciation and meeting refreshment combined total expenditures may not exceed \$60 per FTE per fiscal year without prior approval of the COO;



- Uncashed checks must be remitted to the state, in accordance with the MCPS escheat process;
- Ensure tax is collected and remitted to the Comptroller of Maryland for all taxable sales;
- 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; and
- Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses.

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 Mr. Kevin Lowndes, director of secondary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:VAD:sd

Copy to:

Dr. Zuckerman  
Dr. Statham  
Dr. Navarro  
Dr. Williams  
Mrs. Chen  
Mrs. DeGraba  
Mr. Lowndes  
Mrs. Milwit



# **Springbrook High School** *An IB World and Information Technology School*

201 VALLEY BROOK DRIVE • SILVER SPRING, MARYLAND 20904

**Samuel A. Rivera, Principal**


Phone 301-989-5700 • Fax 301-622-1875 • [www.springbrookhs.org](http://www.springbrookhs.org)



December 22, 2015

## **MEMORANDUM**

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

**From:** Frank H. Stetson   
Acting Principal, Springbrook High School

**Subject:** Report on Audit of Independent Activity Funds for the Period  
December 1, 2013 through August 31, 2015

Thank you for meeting with Ms. Mary M. Neumann, business administrator, Ms. Melinda Larson, financial specialist, and myself regarding the condition of our financial records and further actions needed to strengthen the accountability for IAF records.

Please find attached Springbrook's Fiscal Management Action Plan. If you have any questions or further suggestions, please contact myself or Ms. Neumann.

Attachment

mmn

Copy to:

Mr. Kevin Lowndes, Associate Superintendent of Secondary Schools  
Mr. Sam Rivera, Principal Springbrook High School

# Fiscal Management Action Plan

School: Springbrook High School

Principal: *Frank H. Stetson,*  
*Acting*

Approved by community superintendent: \_\_\_\_\_

Date of approval: \_\_\_\_\_

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Cash Receipts: Some staff collecting funds didn't remit them to the SFS promptly.	All staff will be reminded of remittance requirements. Adequate documentation will explain the reason for the expenditure.	Ongoing	Accounting Procedures/Guidelines sent to all staff collecting funds. Complete documentation will be attached fully explaining reason for purchase.
Admissions: Same tickets were used for different admission prices at the same event. Drama production student tickets were sold in advance of the show for \$5 and at the door for \$7. Tickets listed student price as \$7.	Printed tickets will indicate both the pre-sale price and at the door price.	Ongoing	Sponsors were notified to indicate both prices on the tickets.
Separate comp tickets were printed for Drama productions, but weren't returned and weren't recorded on the ticket reports	All comp tickets will be returned and included in the admission report.	Ongoing	Sponsors were notified to return all unused tickets.
Yearbook: No record of FY15 school sales was turned in to the business office.	Yearbook sponsor will turn in a spreadsheet to the financial office at the end of the year.	Ongoing	Yearbook sponsor was given P. 20-13 of financial manual.
Delegation of Authority: No signed annual delegation of principal's authority to sign documents and approve transactions and activities was on file.	At the beginning of each fiscal year the principal will sign a memo designating an acting principal and any other delegations of approval authority.	July, 2016	Memo for 2015 was updated.



<b>Purchase Cards:</b> Several cardholders needed to Review transactions.	Cardholders are currently using the online program to identify, describe and review transactions.	Ongoing	Purchasing card usage is currently in conformity with MCPS requirements.
Spending on staff meetings and appreciation: Exceeded the \$60/FTE limit for FY15 (\$11,520) by ~\$12,000. No COO approval to exceed the limit was granted; COO office had no record of a request.	Expenditures for refreshments in connection with meetings and staff appreciation will not exceed \$60 per full time equivalent per fiscal year.	Ongoing	We will adhere to the guidelines set forth in the financial manual p. 20-5.
Escheatment: No checks had been escheated since Dec, 2013	Unclaimed property will be sent to the controller's office to be sent to the state of Maryland.	January, 2016	All uncashed checks will be considered abandoned property and submitted to the state of MD through an escheatment process.
<b>Sales Tax:</b> Sales tax was not paid on many taxable items	Sales tax will be paid on all taxable items.	July, 2016	Sales tax will be collected and remitted to the state of MD on all taxable merchandise.
<b>Fund Raisers:</b> Must conform to the guidelines	Internal controls will be put in place.	Ongoing	Results will be evaluated at the conclusion of each fundraiser.
<b>Field Trips:</b> No evidence that field trips were reconciled and fees are commensurate with trip expenses.	Fundraisers are reconciled at the conclusion of each field trip and are commensurate with trip expenses.	Ongoing	Field trips are reconciled to be sure all funds collected were remitted and fees are commensurate with trip expenses.

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