


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

March 26, 2012

MEMORANDUM

To: Mrs. Mildred L. Charley-Greene, Principal
Takoma Park Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
February 1, 2010, through November 30, 2011

This audit report presents the results of our examination of the financial records, reports, and internal accounting controls relating to the Independent Activity Funds (IAF) for your school for the period designated above. The examination was made to determine the adequacy of accountability over these funds, compliance with applicable Montgomery County Public Schools (MCPS) policies and procedures, and effectiveness of IAF management.

We appreciated the opportunity to meet with you and Mrs. Clity Gordon, financial specialist, on March 21, 2012, to discuss the results of our audit. It should be mentioned that the majority of our audit period was prior to your appointment as principal effective July 1, 2011. At our meeting, we noted the progress made to improve conditions described in our previous report dated

April 21, 2010, such as adherence to spending limits on staff meeting refreshments and appreciation items and improved controls over admission events. Our findings and recommendations appear below.

Findings and Recommendations

While we commended you for progress made, some conditions continue to need improvement. In order to properly control receipts, collected funds should be remitted promptly to the financial specialist and deposited daily in the bank, in conformity with the school's Cash Holding Authority (CHA). We again found instances in which funds were held by sponsors, rather than remitted promptly. We also found some delays in the depositing of funds with the bank, and that the school store's change fund exceeded the CHA for funds held in a locked cabinet. To improve controls, we recommend close adherence to the procedures in the MCPS Financial Manual, pp. 7-2 through 7-4.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. Although most sponsors submitted completion reports, most forms

were still not properly completed so that results could be evaluated and were not signed by the principal. Most completion reports did not include such information as the 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 financial specialist. We also noted that the annual magazine fund raiser lacked an approval form signed by the principal. In addition, we found some unrelated expenditures were paid out of fund raiser accounts, instead of having the net proceeds transferred to the proper benefiting accounts. 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.

In addition to the above weaknesses previously identified, additional conditions in controls need to be strengthened. 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). After the purchase is completed, the purchaser should submit appropriate documented evidence of purchase to the financial specialist. By requiring complete documentation, the principal retains control over the expenditure of IAF funds. In our sample of disbursements, we found that some did not have adequate documentation to fully explain the reason for the expenditure, including no distribution lists on file for gift card purchases. We recommend complete documentation be attached to fully explain the reason for a purchase.

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. 18-1). Our examination revealed that taxes were not collected and remitted on all items sold to students or others. We recommend that the school comply with these requirements.

Summary of Recommendations

- Funds collected must be promptly remitted by sponsors to the financial specialist (repeat);
- Funds received must be promptly verified and deposited by the financial specialist;
- Change fund balances should comply with the school's Cash Holding Authority;
- Fund raiser completion reports should provide sufficient information to analyze results (repeat);
- Fundraiser documentation on file must include principal approval;
- Fund raiser proceeds should be transferred to benefiting accounts and used from there;
- Adequate documentation must be provided for all purchases; and

- Taxes should be collected on taxable sales and remitted to the Maryland Comptroller.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Mrs. Gordon. 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 Ms. Bronda Mills, community superintendent. The Office of School Performance will follow up on this audit.

RWP:VAD:sd

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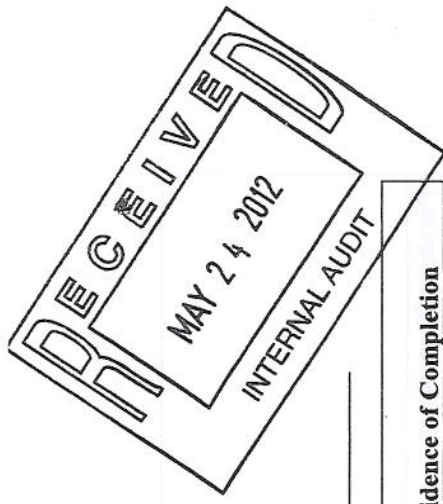
Mr. Bowers
Dr. Lacey
Mr. Talley
Ms. Mills
Mrs. DeGraba
Mrs. Milwit
Mr. Doody

Fiscal Management Action Plan
School Year Audit: February 1, 2010 – November 30, 2011

School: Takoma Park Middle School

Principal: Mildred Charley-Greene

Approved by Community Superintendent: _____ Date of Approval: _____



Findings and Recommendations of School Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Cash Collected by Staff for IAF Activities	<p>All staff are strongly encouraged by the administration and financial specialist to promptly deposit cash collected daily. If procedures are not followed the administrator is notified immediately. Staff members who fail to follow the correct procedures will be given consequences.</p> <p>The school store sponsor has been informed that she is to have no more than \$50 in a locked cabinet and that these funds be handled in close adherence to MCPS Financial Manual, pp 7-2 through 7-4.</p> <p>Persons Responsible: Administrators, Financial Specialist, Sponsors</p>	Spring 2012-Spring 2013	IAF Account
Fundraisers	<p>In compliance with <i>MCPS Guidelines for Sponsoring an Independent Activity Fundraiser</i>, all fundraisers will be approved by the principal prior to the activity. The financial specialist has developed a notification system to ensure that the fundraising sponsors are following the system guidelines. In addition, all staff will be in-serviced on the fundraiser and other financial guidelines as part of August 2012 pre-service week presentations. This</p>	Spring 2012- Spring 2013	Fundraiser Accounts

	<p>information will also be included in the staff sponsor handbook.</p> <p>Persons Responsible: Administrators, Financial Specialist, Sponsors</p>		
<p>Purchase Requests</p>	<p>Staff are strongly encouraged to complete form 28-54, <i>Request for Purchase</i>, to obtain principal approval prior to making an intended purchase. After the purchase, staff is encouraged to submit documentation fully explaining purchases. Staff will be in-serviced on these procedures. Staff failing to follow these procedures will receive consequences.</p> <p>Persons Responsible: Administrators, Financial Specialist, Sponsors</p>	<p>Spring 2012 - Spring 2013</p>	<p>Pre-service Meeting Rosters IAF Accounts</p>
<p>Retail Sales Tax</p>	<p>Select staff will receive training on the need to collect sales tax on eligible merchandise.</p> <p>Persons Responsible: Administrators, Financial Specialist, Sponsors</p>	<p>Spring 2012-2013</p>	<p>Yearly Sales Tax Report</p>