


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

August 2, 2013

MEMORANDUM

To: Mr. Scott W. Murphy, Principal  
Watkins Mill High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
October 1, 2011, through January 31, 2013

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 July 10, 2013, with you, Mrs. Anne Alban, outgoing business administrator, Mrs. Julia Broyles, incoming business administrator, and Ms. Lisa Holderman, financial specialist, we reviewed the status of the conditions described in our prior audit report dated November 22, 2011, and corrective actions already underway that you have implemented to strengthen the timeliness of remittances as well as fundraising and field trip accountability of 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

In order to properly control receipts, cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted intact to the financial specialist on the day they are received, accompanied by a completed MCPS Form 280-34, *MCPS Remittance Slip*. We noted that

some staff did not promptly remit funds to the financial specialist, and sometimes submitted funds with incomplete remittance slips. To minimize the risk of loss, all funds collected should be remitted daily (see MCPS Financial Manual, pp. 7-3 through 7-5).

Fund raising at the school generally conformed to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. However, we found a need for improvement in preparation of completion reports as many of them were not properly completed so that results could be evaluated. Shortfalls in receipts were not explained and remaining inventories were not included, thus it was not possible 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 event.

Review of field trip activities revealed that not all field trip sponsors provided completed financial information to the financial specialist at the completion of a trip. Sponsors should record eligible participants and fee information for each field trip on MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and submit the data to the financial specialist when a trip is completed (see MCPS Financial Manual, p. 20-9). The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account, and may be used to assist in the planning of future trips. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above.

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. Invoices or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, must be submitted to the financial specialist. In our sample of disbursements, we found invoices were not always signed by the purchaser to indicate satisfactory receipt, and some disbursements did not have adequate documentation to fully explain the reason for the expenditure. We recommend conformity with MCPS purchasing requirements.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card Users Guide*. Card members must record purchases on transaction logs, sign the logs to certify completeness and compliance, and submit the logs monthly with invoices and receipts attached for timely review and approval by the principal. We found some logs were not prepared monthly, and some receipts and invoices were missing. We noted actions you have taken to correct these conditions to bring purchasing card usage into conformity with MCPS requirements.

Cash may be used to establish a change fund to aid in the sale of items or tickets. At all times, the cash on hand must equal the authorized amount of a change fund. When the requirement for the change fund is concluded, the cash is remitted to the financial specialist and receipted into the appropriate IAF account. All school change funds must be closed no later than the end of the fiscal year. We found that change funds being used did not comply with MCPS requirements. Some were created by checks issued directly from an activity account rather than separately receipted that made it impossible to assure that all such cash had been returned. The amount of cash on hand did not

always equal the amount authorized and issued. We recommend change fund usage be brought into compliance with requirements (see MCPS Financial Manual, p. 7-6).

#### Summary of Recommendations

- Funds collected must be remitted promptly (repeat) and intact by sponsors to the financial agent, using MCPS Form 280-34;
- Fundraiser completion reports prepared by sponsors must provide sufficient information to analyze results (repeat);
- 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 (repeat);
- Receipt of goods or services must be confirmed prior to disbursement, with adequate documentation provided to support disbursements;
- Purchase card activity, documentation, and review must be in compliance with the MCPS *Purchasing Card User's Guide*; and
- Change fund usage must be in compliance with MCPS requirements.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Mrs. Alban and Ms. Holderman. 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. Christopher S. Garran, associate superintendent of high 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. Garran  
Mrs. DeGraba  
Mrs. Milwit  
Mrs. Chen

## Fiscal Management Action Plan

School: **Watkins Mill High School**Principal: **Scott W. Murphy**Approved by Community Superintendent: **Dr. Christopher Garran**Date of approval: 8/19/13

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Timely remittance of funds by sponsors	All staff will be reminded that timely deposits are required. Formal memorandum of expectations from principal will be sent to all activity sponsors. All deposits where a delay is suspected will be subject to a review and conference. (Business Administrator, Financial Specialist, Principal)	September 2013	Ongoing, and increased compliance monitoring. Copy of memorandum. Prompt submission of MCPS Form 280-34. Conference records and administrative follow up as needed.
Fundraising reports	Fundraisers will be more closely monitored with concentration on accurately prepared completion reports including inventory that may be left over for resale. Appropriate forms that document fundraiser inventories will be completed accurately and monitored. (Business Administrator, Financial Specialist, Principal, Activity Sponsors)	September 2013	Ongoing, fundraiser completion reports and inventory forms.
Field trip records	A field-trip completion checklist will be developed for review/completion at the conclusion of all trips. Sponsors will be required to submit comprehensive listing of all persons participating and their payment/waiver status via student rosters. (Business Administrator, Financial Spec, Principal, Sponsors)	September 2013	Ongoing, documentation of completion. Student roster reconciliations.
Purchase Requests	All purchases will continue to be approved in advance in writing, by the principal and financial agent. The purpose of the expenditure will be explicit with appropriate invoices attached prior to approval. (Business Administrator, Financial Specialist, Principal)	September 2013	Copies of 280-54 with attachments
Purchasing Cards	All card members will continue to be required to submit completed, signed logs monthly, within 10 days of receiving the card statement. Principal will continue to issue warnings or confiscate cards for repeated delays or incomplete reports. (Business Admin, Financial Specialist, Principal, Cardholders)	September 2013	Purchasing Card Logs Memoranda from Principal
Change Funds	Change fund accounts and procedures will be streamlined as per MCPS Financial Manual, p 7-6. (Business Admin, Financial Spec, Principal, AD)	September 2013	Change Fund Account Reconciliation

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