


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

September 16, 2014

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
February 1, 2013, through July 31, 2014

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 September 4, 2014 with you, Mr. Shawn Krasa, principal intern, Mrs. Julia Broyles, business administrator, and Ms. Lisa Holderman, financial specialist, we reviewed the status of the conditions described in our prior audit report dated August 2, 2013, and the status of present conditions. 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

Disbursement of IAF must be controlled in a number of ways. All purchases must be approved in advance and in writing using MCPS Form 280-54, *Request for a Purchase*. 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. A check may then be drawn and it must bear two signatures, one of which is that of the principal or delegated acting principal. We again found instances in which controls over purchases were weakened. Not all disbursements had adequate documentation to fully explain the reason for the expenditure, and invoices were not always signed by the receiver. By requiring prior approval, 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. 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 business office and revised if necessary. Action is needed to correct these conditions and bring purchasing into conformity with MCPS requirements (see MCPS Financial Manual, p. 20-5).

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Although the sponsors are submitting fund-raiser request and completion reports, and all reports are signed by the business administrator and you, most completion reports did not include the total number of items for sale, selling prices, or remaining inventories, thus it was not possible to properly evaluate the results. We recommend following internal control procedures that provide for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event.

Admission receipts for athletic and non-athletic events should be managed 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. For special events such as the homecoming dance and prom, we noted concern for the accountability of tickets sold. Tickets were not controlled by the ticket controller and Form 280-50 was not prepared. We also noted some tickets were printed and numbered by the sponsor, and others used same roll of tickets for different nights. We recommend that procedures for the sale of tickets be reviewed with appropriate staff prior to events, and that all tickets be serially numbered and issued by the ticket controller.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement and purchaser must confirm receipt of goods or services prior to disbursement (repeat);
- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results (repeat); and
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

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. Christopher S. Garran, associate superintendent of high schools. The Office of School Support and Improvement will follow up on this audit.


RWP:MJB:sd

Copy to:

Mr. Bowers
Dr. Navarro
Dr. Statham
Mr. Sanderson
Dr. Garran
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

DAMUNK 9-26-14
Attachment

Fiscal Management Action Plan

School: **Watkins Mill High School** Principal: **Scott W. Murphy**
 Approved by associate superintendent: **Dr. Christopher Garran**  Date of approval: **9/22/14**

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Purchase Requests	Staff will be reminded that all purchases must be approved in advance in writing, by the principal and financial agent. In some cases, budgets will be developed/approved to provide ongoing spending authority. Delegations to assistant principals in principal's absence will be explicitly provided in writing. (Business Administrator, Principal)	October 2014	<ul style="list-style-type: none"> -Copies of 280-54 with attachments -Approved budgets for programs such as athletics, theater, marching band, and courses where fees are collected. -Formal memoranda providing delegation authority and spending limits.
Fundraising reports	Fundraisers will be more thoroughly analyzed, with concentration on inventory so that fundraiser results can be better evaluated. (Business Administrator, Financial Specialist, Principal)	October 2014	Fundraiser completion forms with analysis and principal signature. Inventory forms.
Admission Events and Ticket Controls	Tickets for special events in which tickets are professionally printed (such as Prom, Homecoming, and Theater) will be printed with sequential numbering and include the price of admission. Ticket control forms will continue to be used. (Principal, Business Administrator).	October 2014	Special events tickets. Ticket control forms.

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