


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

March 4, 2013

MEMORANDUM

To: Ms. Alison L. Serino, Principal  
Westland Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

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

It should be noted that your appointment as principal was effective July 1, 2012, and that the appointment of Mrs. Susan Baumgardner as financial specialist was effective February 1, 2012.

In our meeting on February 28, 2013, with you and Mrs. Baumgardner, we reviewed the status of the conditions described in our prior audit report dated October 26, 2011, and discussed further actions needed to strengthen the accountability for 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

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. A check may then be drawn and the invoice marked "paid." In our sample of disbursements, we found some disbursements did not have adequate documentation to fully explain the reason for the expenditure, some documentation was not annotated by recipient to indicate purchased goods or services were satisfactorily received, and many invoices were not marked "paid." Action is needed to correct these conditions and bring purchasing into conformity with MCPS requirements.

An active MCPS employee may not be hired as a consultant or contractor. In addition, MCPS retirees who are hired for assignments should be employed as temporary employees rather than as consultants. Hiring retirees as consultants requires the pre-approval of the chief operating officer (COO) (see MCPS Financial Manual, pp. 15-2, 15-4). Payment for personal services was made to a company owned by a retired MCPS administrator, who also appears in the payroll system as a substitute teacher. We recommend that payments to retirees be processed through the payroll system. If a retiree is not employed by MCPS, the contract to perform services must be approved by the COO prior to its implementation.

An MCPS employee may not directly supervise (direct, oversee, or evaluate) the work of a relative (see MCPS Regulation GCA-RA, *Employee Conflict of Interest*). An activity sponsor hired and supervised her spouse and daughter as contractors. Both were paid through MCPS payroll, as they also sometimes work as substitutes at other schools. Because the sponsor is the only one who can truly direct and oversee their work, we recommend that her relatives offer their services to other schools where this sponsor does not work.

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 found instances in which staff collecting funds for trips 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).

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms signed by the principal (and community superintendent, when required), should be retained. The financial specialist should establish a separate account in the IAF for each trip. Sponsors should record cost 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. Review of field trip activities revealed most trip approval forms were not retained, financial transactions for some trips were not recorded in designated field trip accounts, and most sponsors failed to use Form 280-41 or provide complete financial information to financial specialist at the conclusion of a trip, making reconciliation of receipts difficult. We recommend all sponsors be required to follow the procedures outlined above.

MCPS Regulation DMB-RA, *Control of Admission Receipts*, provides procedures for the accounting for sales of admission tickets. We found that admissions were not always properly controlled. Not enough tickets were issued for one event, while another used the same color of tickets for consecutive nights' performances. Some events reported shortfalls in receipts. We recommend that admission to all events be controlled in accordance with the above cited regulation.

#### Summary of Recommendations

- Adequate documentation must be provided to support disbursements;
- Receipt of goods or services must be confirmed prior to disbursement;
- Invoices and receipts must be annotated as paid to indicate disbursement was made;
- Payments to MCPS employees must be processed through the MCPS payroll system;
- Contracts with retirees, not employed by MCPS, to perform services must be approved by the COO prior to implementation;
- Conflict of interest guidance found in MCPS Regulation GCA-RA should be followed;
- Funds collected must be promptly remitted by sponsors to the financial specialist;
- Field trips must be approved in advance by the principal;
- 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
- 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, especially Mrs. Baumgardner. 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 Garran, community superintendent. 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

Dr. Marks

Dr. Garran

Mrs. DeGraba

Mrs. Milwit

Mrs. Chen

Fiscal Management Action Plan

School: Westland Middle School

Principal: Alison L. Serino

Approved by Community Superintendent: 

Date of approval: 3/13/13

meeting principal to 2/12/13

Findings and Recommendations of School's Financial Report	Description of Resolution and Person(s) Responsible	Timeline	Evidence of Completion
1. Some disbursements did not have adequate documentation to fully explain the reason for the expenditure. (Adequate documentation must be provided to support disbursements.)	Financial specialist will review all requests for purchase to ensure that the reason for the proposed expenditure is clearly stated.	The new process has been implemented.	MCPS Form 280-54 completed and on file and available for review.
2. Some documentation was not annotated by recipient to indicate purchased goods or services were satisfactorily received. (Receipt of goods or services must be confirmed prior to disbursement.)	Financial specialist will ensure that purchased goods or services were received satisfactorily and indicate the same on the packing slip or invoice, prior to processing payment.	The new process has been implemented.	Documentation is on file with each payment and is available for review.
3. Many invoices were not marked "paid." (Invoices and receipts must be annotated as paid to indicate disbursement was made.)	Financial specialist will stamp or write "paid" and indicate the date paid on each receipt and/or invoice paid.	The new process has been implemented.	Documentation is on file with each payment and is available for review.
4. An active MCPS employee may not be hired as a consultant or contractor. (Payments to MCPS employees must be processed through the MCPS payroll system.)	Financial specialist will verify for the principal MCPS employment status for each so-called contractor or consultant prior to approving contracts or provision of services.	The new process has been implemented.	MCPS Form 280-46 ( IAF Request for Payment to MCPS Employees) will be on file and available for review for all payments to MCPS employees from IAF funds.

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<p>5. Payment for personal services was made to a company owned by a retired MCPS administrator, who also appears in the MCPS payroll system as a substitute teacher. (Contracts with retirees, not employed by MCPS, to perform services must be approved by the COO prior to implementation.)</p>	<p>Principal will work with the financial specialist and administrative secretary to develop a process for approval of personal services. This will be communicated to school staff, which will require employment verification for each recommended service provider and submission of a request for and approval of consultant work prior to implementation.</p>	<p>August 1, 2013</p>	<p>Contracts, approvals, and payment documentation, including MCPS Form 280-46, as appropriate, will be on file to support all IAF payments for services. Principal has consulted with the executive assistant to the chief operating officer regarding this matter.</p>
<p>6. An MCPS employee may not directly supervise the work of a relative. (Conflict of interest guidance found in MCPS Regulation GCA-RA should be followed.)</p>	<p>Principal is working with the executive director, chief operating office, to address current conflict of interest issues, and will ensure that MCPS Regulation GCA-RA is followed. A draft of a letter has been generated and agreed upon by the executive director and principal to be presented to the staff member before July 1.</p>	<p>July 1, 2013</p>	<p>No such conflict of interest will be reflected in payments made from Westland accounts or via MCPS Form 280-46 (IAF Request for Payment to MCPS Employees); files will be available for review.</p>
<p>7. 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 funds are received. (Funds collected must be promptly remitted by sponsors to the financial specialist.)</p>	<p>Financial specialist keeps her office open until 3:30 pm as most deposits occur between 2:40 and 3:30. Fundraiser request forms and activity request forms now reflect a statement the sponsor must initial that states "I agree to safeguard funds collected and remit funds daily to the financial specialist using MCPS Form 280934, IAF Remittance Slip."  We have purchased a drop box/safe for rare instances when the deposit must be made after the financial specialist's office is closed.  All staff will receive training on said expectations at pre-service week and as new accounts are established.  If an individual violates this procedure, the principal will meet with the person and document the meeting.</p>	<p>The new process has been implemented.</p>	<p>Our forms reflect the additional reminder/safeguard of the initials by the sponsor.  Our drop box/safe is installed and has necessary documentation on top.</p>
<p>8. Most field trip approval forms were not retained. (Field trips must be approved in advance by the principal.)</p>	<p>Principal is working with the financial specialist to develop a new field trip process, which will require a paper field trip request to be approved and signed by the principal prior to making any field trip arrangements. This will take effect in the next two weeks with any field trips in the planning stages and will be communicated to all staff during pre-service meetings for the School Year 2013-2014.</p>	<p>March 22, 2013</p>	<p>Approval forms will be on file and available for review for all pending and completed field trips.</p>

<p>9. Most field trip sponsors failed to use Form 280-41 or provide complete financial information to the financial specialist at the conclusion of a trip. (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.)</p>	<p>Financial specialist implemented a spreadsheet for field trip sponsors to use for collecting student field trip data and for depositing funds (the equivalent of Form 280-41), which will simplify the process for the sponsor and will facilitate cost reconciliation; financial specialist is working with field trip sponsors to prepare completion reports.</p>	<p>The new process has been implemented.</p>	<p>Field trip accounting and reconciliation documents are on file and available for review.</p>
<p>10. Admissions were not always properly controlled. Not enough tickets were issued for one event, while another used the same color of tickets for consecutive nights' performances. Some events reported shortfalls in receipts. (Admission events must be conducted in accordance with MCPS Regulation DMB-RA.)</p>	<p>Financial specialist is evaluating similar prior event attendance to ensure that tickets provided are more than sufficient. Separate ticket colors are now provided for each performance. Admissions manager is required to provide a statement of explanation when discrepancies in tickets and/or funds submitted are discovered</p>	<p>The new process has been implemented.</p>	<p>MCPS Form 280-50 is on file for each performance, event, or day of ticket sales, and will demonstrate compliance.</p>

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