


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

January 24, 2013

MEMORANDUM

To: Mr. Kevin E. Lowndes, Principal
Wheaton High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
June 1, 2011, through August 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.

In our meeting on January 8, 2013, with you, Mrs. Sandra Spruill, business administrator, and Mrs. Neelka Mein, financial specialist, we discussed 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 to the financial specialist. A check may then be drawn and must bear two signatures, one of which is that of the principal or acting principal. In our random sample of disbursements, prior approval was not consistently obtained, some disbursements lacked adequate documentation, and some checks were paid on only one signature. We recommend that Form 280-54 be prepared by staff and signed by you 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 financial specialist and revised if necessary. We further recommend that complete documentation be attached to Form 280-54 to fully explain the reason for the purchase, and that all checks bear two signatures.

In accordance with MCPS Regulation DIA-RB, *Payments for Personal Services from School Independent Activity Funds*, payments to MCPS employees must be processed through the MCPS payroll system to ensure compliance with federal tax requirements regarding the reporting of income and the withholding of taxes. We found some MCPS employees were paid directly from IAF for program funded by a grant. We recommend following the payroll procedures published by the Employee and Retiree Service Center.

MCPS purchasing card members must record purchases on transaction logs and submit logs monthly with invoices and receipts attached for review and approval by the principal. Monthly summary reports from American Express are to be reviewed, signed and dated by the principal to ensure that purchases are appropriate and within established limits. The principal's log is to be sent to the community superintendent for review. We found that logs and the summary reports were not consistently reviewed by the principal, and the principal's logs lacked evidence of approval by the community superintendent. We also noted that some logs were not prepared in a timely manner. We recommend purchasing card members be required to comply with the requirements of the MCPS *Purchasing Card Users Guide*.

In order to properly control receipts, collected funds should be remitted to the financial specialist promptly, intact, and accompanied by proper documentation. We found instances in which funds were held by sponsors for extended periods rather than remitted promptly, that some expenses had been paid out of collected funds, and that some staff members failed to properly complete MCPS Form 280-34, *Independent Activity Fund Remittance Slip*. To improve controls, we recommend close adherence to the procedures in the MCPS Financial Manual, pp. 7-3, 7-4.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We found adherence to these guidelines was inconsistent. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. Each fund raiser should be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund raising activity should be recorded in a separate account in the 800 series

and a completion report prepared that analyzes the results (see MCPS Financial Manual, p. 20-11).

Sponsor of field trips should have a complete class or club roster of student names and annotate how much 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 reconciliation report. The data should also be used to estimate cost and fees for future trips. We found not all sponsors turned in completed data at the conclusion of each trip, and that data was not being compared to the final account reconciliation report. We also found instances where trip expenses were not charged to trip accounts and where projected trip expenses were not properly calculated, which resulted in inappropriately priced trips and compromised the financial planning for future trips. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip. We further recommend that trip planning be reviewed to ensure established fees are commensurate with trip expenses (see MCPS Financial Manual, p. 20-9).

MCPS Regulation DMB-RA, *Control of Admission Receipts*, provides requirements for the accounting for sales of admission tickets. To be in compliance, 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 a perpetual inventory of tickets. We found ticket control reports were not always prepared after each day's sales and cross-referenced to a specific numbered receipt. Shortfalls and overages in receipts were not explained. Some forms were not fully signed or completed. Separate ticket sequences were not always used for different ticket prices. We recommend that admission to all events be controlled in accordance with the above cited regulation.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement;
- Adequate documentation must be provided to support disbursements;
- Checks will bear two signatures, one of which must be that of the principal;
- All employee compensation must be processed through the payroll system;
- Purchase card transactions must be documented, reviewed, and approved in accordance with MCPS procedures;
- Funds collected must be remitted promptly and intact by sponsors to the financial agent using MCPS Form 280-34;

- Fund raising must conform to *Guidelines for Sponsoring an Independent Activity Fund 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;
- Field trip accounts should reflect all trip expenses, and trip fees should be appropriately priced; 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. Spruill and Mrs. Mein. 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, 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

<ul style="list-style-type: none"> • Finding: We found some MCPS employees were paid directly from IAF for program funded by a grant. • Recommendation: All employee compensation must be processed through the payroll system. 	<p>Spruill</p> <ul style="list-style-type: none"> • This error has been corrected. The five staff members who received a payment from Wheaton High School reimbursed the school directly. Wheaton High School received a grant from an outside source. Part of the grant was to compensate several teachers for agreeing to be active members in curriculum review. All funding was paid directly to ERSC for employee payment. In the future all monetary compensation will be directly paid through ERSC. <p>Action by: Kevin Lowndes, Sandy Spruill</p>	<p>12/15/12</p>	<p>Form 280-46 completed and submitted to ERSC. iReceivable pink invoice paid.</p>
<ul style="list-style-type: none"> • Finding: Purchase card transactions must be documented, reviewed, and approved in accordance with MCPS procedures. • Recommendation: We recommend purchasing card members be required to comply with the requirements of the <i>MCPS Purchasing Card Users Guide</i>. 	<ul style="list-style-type: none"> • The summary reports are filed separately in the Amex notebook A blank log report will be filed with the notation, <i>No activity</i>, during any month where the card is not used. • The finance office will review all reports to make sure the principal signature is present. • All Amex logs are prepared in a timely manner and the SBA will continue to monitor this process. <p>Action by: Sandy Spruill, Kevin Lowndes</p>	<p>On Going</p>	<p>Amex log book with all documentation and signatures present.</p> <p>Memorandum to remind Amex cardholders of the MCPS guidelines and procedures.</p>
<ul style="list-style-type: none"> • Finding: Funds collected must be remitted promptly and intact by sponsors to the financial agent using MCPS form 280-34. • Fund Raising must 	<ul style="list-style-type: none"> • All business procedures are reviewed at the beginning of each school year and are posted in the tshared folder for staff reference. The finance office will review the need for prompt cash remittance again. • The SFS and the SBA will review expenditures for each account and make 	<p>On Going</p>	<p>Updated and post Financial PowerPoint in tShared.</p> <p>Quarterly Memorandums will be used to re-enforce accounting policies and procedures.</p> <p>Fundraising packet updated and</p>

<p>conform to <i>Guidelines for sponsoring an Independent Activity Fund Raiser</i>.</p> <ul style="list-style-type: none"> • Recommendation: To improve controls, we recommend close adherence to the procedures in the MCPS Financial Manual, pp. 7-3, 7-4. And • Each fund raiser should be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund raising activity should be recorded in a separate account in the 800 series and a completion report prepared that analyzes the results (see MCPS Financial Manual, p. 20-11). 	<p>sure all payments are assigned to proper accounts.</p> <ul style="list-style-type: none"> • Updated fund raiser procedures have been implemented. Packets and fund raiser guidelines are available as a hardcopy in the SFS office and online in the tShared folder. • All fundraisers are approved by the principal however, the financial office made copies prior to the principal signature. In the future only signed copies will become part of the financial accounting packet. • Action By: Sandy Spruill, Neelka Mein 		<p>available in Finance Office.</p> <p>Memorandum with updated procedures.</p> <p>Signed approval forms filed in Finance Office</p>
<ul style="list-style-type: none"> • Findings: 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; • Field Trip accounts 	<ul style="list-style-type: none"> • Each year the Business Office provides training in all aspects of proper policies and procedures for all field trips, fund raisers, and class activities to all staff members. We will continue to work with sponsors to make sure procedures are being consistently followed. • Updated field trip packets to include necessary forms for student accounting, waivers, and cost analysis have been 	<p>On Going</p>	<p>Updated packets available in financial office and electronically in tShared.</p> <p>Training Powerpoint updated and reviewed by staff members.</p>

<p>should reflect all trip expenses, and trip fees should be appropriately priced.</p> <ul style="list-style-type: none"> • Recommendation: We recommend trip sponsors use MCPS Form 280-41, <i>Field Trip Accounting</i>, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip. We further recommend that trip planning be reviewed to insure established fees are commensurate with trip expenses (see MCPS financial manual, p. 20-9). 	<p>prepared and are available in the finance office and electronically in the tShared folder.</p> <ul style="list-style-type: none"> • Several trips are subsidized through grants. All trip payments are paid through the field trip account and may include transfers from the grant to the field trip account. <p>Action by: Neelka Mein, Sandy Spruill</p>	
<ul style="list-style-type: none"> ✓ • Finding: Admission events must be conducted in accordance with MCPS Regulation DMB-RA • Recommendation: We recommend that admission to all events be controlled in accordance with the above cited regulation. 	<ul style="list-style-type: none"> • The finance office has reviewed ticket report requirements to include information as to a shortage over coverage with all sponsors and will continue to review this process. Please note any shortage or overage never exceeded a few dollars. • Different colors are used to note different sale prices. The finance office was unaware that the International Night would use different entrance fees. The expectation was an at the door price only. This was discussed with the sponsor. • The finance office will continue to monitor all ticket reports and make sure signatures are posted properly. All receipt numbers will be included on every report. • Please note from July 2011 through 	<p>On Going</p> <p>Completed ticket reports are located in the report binder any include all information required by MCPS.</p>

	<p>January 2012 an inexperienced SFS was working at WHS. The inexperience of this individual did create numerous inconsistencies in the Finance Office. We continue to work on improvements and adhering to all MCPS policies.</p> <p>Action by: Sandy Spruill, Neelka Mein</p>		
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Note: A copy of the approved plan is to be sent to the Internal Audit Office, URSC suite 3380