


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

November 26, 2012

MEMORANDUM

To: Dr. Alan S. Goodwin, Principal  
Walt Whitman High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
February 1, 2011, through June 30, 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 November 8, 2012, with you, Mr. Eddy Campbell, business administrator, and Mrs. Joy Garnett, financial specialist, we reviewed the status of the conditions described in our prior audit report dated June 29, 2011, and discussed further actions needed to strengthen the accountability for IAF resources. We noted areas of improvement, including that the school had closed its extra checking account that was established for on-line transactions and had begun using the standard student obligation tracking program. 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

While we commended you for progress made, some conditions continue to need improvement. Sponsors of school activities which involve the collection or disbursement of IAF are being provided an account statement for each month in which transactions have been recorded in their accounts. However, we again found some sponsors did not verify that transactions had been correctly recorded and return these statements, or failed to return them promptly. We recommend sponsors be required to review and resolve any discrepancies in their accounts, and return the signed statements to the financial specialist in a timely manner (see MCPS Financial Manual, p. 20-9).

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. In our random sample of disbursements, we noted prior approval was not consistently obtained while again finding that some that did not have adequate documentation. We also found that documentation was not annotated by the recipient to indicate purchased goods or services were satisfactorily received. We recommend that Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, that complete documentation be attached to fully explain the reason for the purchase, and that purchasers evidence their verification that purchases were satisfactorily received.

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. These financial records must not be removed from the school premises without the principal's approval, and if removed must be returned to the school at the start of the next working day. We again found that logs and receipts for some card members were not submitted for monthly review by the principal. We also were delayed in completing our audit field work as some receipts and logs had been taken home by a card member, without approval and for an extended period. We recommend purchasing card members be required to comply with the requirements of the MCPS *Purchasing Card Users Guide*. We further recommend that all records remain in the school to be available during all working hours (see MCPS Financial Manual, p. 20-14).

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*, which governs chaperones and trip attendees, as well as trip fees and accounting. Sponsors 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 turned in to the financial specialist at the completion of each trip, and compared to remittances recorded in the trip account reconciliation report. We again found not



all sponsors are turning in completed data at the conclusion of each trip, and that data is not being compared to the final account reconciliation report. We also noted some trips that had ineligible participants. 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 this data be compared with posted receipts to assure all expected funds were remitted (see MCPS Financial Manual, p. 20-9) and that the applicable regulations be observed.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. Although the sponsors submitted fund raiser request and completion reports, some completion reports continued to lack 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. Also, without prior written delegation of authority, completion reports are to be signed by the principal. 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.

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 field trips, admission events, 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).

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. Some forms were not fully signed or completed. Separate ticket sequences were not always used for different ticket prices or for complimentary tickets. We recommend that admission to all events be controlled in accordance with the above cited regulation.

Equipment purchased with IAF become the property of MCPS and are subject to MCPS Regulation EDC-RA, *Control of Furniture and Equipment Inventory*. We noted some equipment purchased by the school that had not been added to the MCPS inventory and affixed with barcodes. We recommend that staff review the policy to ensure that equipment is properly coded and the inventory adjusted.

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. Payments to independent contractors must be reported to the Division of Controller (DOC) using MCPS Form 280-47A, *Report of Payments to Independent Contractors*. We found instances in which an MCPS employee was paid directly from IAF and that not all payments to independent contractors were reported to DOC. We recommend these types of payments be made and reported in compliance with the applicable regulations and procedures.

Retail sales tax must be collected by the school and remitted to the Comptroller of Maryland (COM) on the sales of all taxable merchandise (see MCPS Financial Manual, p. 18-2). Also, a school should have only one sales tax account with the COM. Our examination revealed that taxes were not collected on all items sold to students, and that not all taxes collected were remitted to the state. We recommend that the school comply with the requirements stated above, and further close the school store tax account.

#### Summary of Recommendations

- Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the financial specialist (repeat);
- Expenditure of funds must be approved by the principal prior to procurement;
- Adequate documentation must be provided to support disbursements (repeat);
- Receipt of goods or services must be confirmed prior to disbursement;
- Purchase card transactions must be documented, reviewed, and approved in accordance with MCPS procedures (repeat);
- Financial records must remain in the school;
- 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);
- Fund raising must conform to *Guidelines for Sponsoring an IAF Fund Raise* (repeat);
- Funds collected must be remitted promptly by sponsors to the financial agent using MCPS Form 280-34;
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA;
- Equipment purchases must be inventoried and bar-coded in accordance with MCPS Regulation EDC-RA;



- Stipends for MCPS staff members must be processed through payroll;
- Independent contractor payments must be reported monthly to the Division of Controller;
- Taxes should be collected on taxable sales and remitted to the Maryland Comptroller; and
- Contact the Comptroller of Maryland to close the school store sales tax account.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Mr. Campbell and Mrs. Garnett. 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 Garren, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:VAD:DKH:sd

Copy to:

Mr. Bowers  
Dr. Statham  
Dr. Schiavino-Narvaez  
Dr. Marks  
Dr. Garran  
Mrs. DeGraba  
Mrs. Milwit  
Mrs. Chen

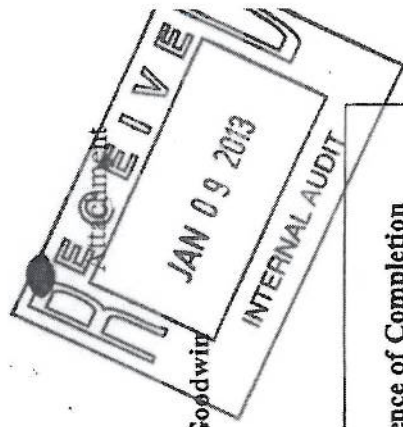
Fiscal Management Action Plan

School: Walt Whitman High School

Principal: Dr. Alan Goodwin

Approved by community superintendent: 

Date of approval: 12/21/12



Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Some activity sponsors did not verify that transactions had been correctly recorded and did not return statements, or failed to return them promptly.	All staff members have been verbally instructed to make a concerted effort to deposit all collected funds on daily basis. Greater use of the deposit drop box was encouraged. Business Administrator and Financial Specialist	December 2012	This audit finding and corrective action needed for compliance was discussed in the last faculty meeting. An email to all staff was posted on Whitman Private reminding account activity sponsors to return activity account reconciliations by the due date. We requested for any outstanding reports to also be returned.
Prior approval was not consistently obtained on some disbursements and some did not have adequate documentation. There were cases in which documentation was not adequately notated by the recipient to indicate if the purchased goods or services were satisfactorily received.	All staff members were informed regarding pre-approval of purchases; providing comprehensive documentation for reimbursement; and that reimbursement would not be given if a receipt had any other items listed that were not related to the approved purchase (the unrelated items would invalidate the receipt even though reimbursement was not being sought for unrelated items.) Business Administrator and Financial Specialist	December 2012	This audit finding and corrective action needed for compliance was discussed in the last faculty meeting. On a routine basis as approvals are requested, individuals are being told of these requirements.
Some purchase card holders did not submit logs and receipts to the principal for review on a monthly basis. A card member took receipts and logs home without approval and for an extended time.	This finding was discussed the purchase card holders. A training session will be held with all purchasing card holders to clarify and reinforce the correct procedures. Business Administrator	January 2013	This finding was discussed with purchase card holders and will be brought into compliance. Formal training will be conducted.



<p>Some field trip sponsors are not turning in completed data at the conclusion of each field trip.</p>	<p>The field trip procedures and policies were fully explained to the staff in the faculty meeting held after this report was published. The procedures were detailed to the point of advising the necessity of providing the business office the roster indicating all students that are eligible to participate in a particular field trip. Business Administrator and Financial Specialist</p>	<p>December 2012</p>	<p>This audit finding and corrective action needed for compliance was discussed in the last faculty meeting. As field trips are requested the business office is working with sponsors to meet all requirements.</p>
<p>Some fundraiser sponsors did not include the number of items for sale, selling prices or remaining inventories. Fundraiser completion reports are to be signed by the principal or delegated to another individual.</p>	<p>Fundraiser sponsors have been advised of the complete requirements of their fundraising activities. This included the items for sale; the purchase and sale price of each item; sale tax issues; inventories; etc. The principal has delegated authority for the business administrator to sign the fundraiser completion report. Business Administrator and Financial Specialist</p>	<p>December 2012</p>	<p>This audit finding and corrective action needed for compliance was discussed in the last faculty meeting.</p>
<p>Some activity sponsors and other authorized individuals collected funds for field trips, admission events and other activities did not remit the funds to the financial specialist on a timely basis.</p>	<p>Activity sponsors have been instructed to be the only authorized individuals to collect funds. They were also reminded to deposit funds on a daily basis. Business Administrator and Financial Specialist</p>	<p>December 2012</p>	<p>This audit finding and corrective action needed for compliance was discussed in the last faculty meeting. Sponsors are reminded of the requirements as activities are planned.</p>
<p>Not all ticket control forms were completed on each day's sales and cross referenced to a particular numbered receipt. Some forms were not fully signed or completed.</p>	<p>Admissions managers have been instructed to complete the MCPS 280-50 Form each day sales are made and the form will contain the receipt number. Forms will have all necessary signatures. Business Administrator and Financial Specialist</p>	<p>January 2013</p>	<p>This audit finding and corrective action needed for compliance was discussed in the last faculty meeting. As admissions tickets are distributed the admissions managers are being told of these requirements.</p>
<p>Some equipment purchased by the school had not been added to the MCPS inventory.</p>	<p>All equipment purchases will be MCPS barcoded and be a part of the Control of Furniture and Equipment Inventory system. Business Administrator.</p>	<p>December 2012</p>	<p>This audit finding and corrective action needed for compliance was discussed in the last faculty meeting. Un-barcoded equipment is being processed.</p>

<p>An MCPS employee was paid directly from the Independent Activity Fund account and not all independent contractor payments are being reported to the Division of Controller.</p>	<p>The business office accesses the payroll system via the time keeper to see if an individual have an MCPS employee number before payment. All payments are being reported to the Controller. Financial Specialist.</p>	<p>December 2012</p>	<p>These requirements were met with the filings in December.</p>
<p>Retail Sales tax was not collected on all taxable items for sale. The school had two (2) sales tax accounts</p>	<p>Sales tax will be collected on all taxable items and forwarded to the state. Any sales tax prior sales tax due will be documented and paid to the state. The school's second (old) tax account was closed a few months ago, but was re-opened in error with a tax filing under the old tax number. The second account was closed in December and the reported tax (under the old number) was transferred to the correct school account. Business Administrator and Financial Specialist.</p>	<p>December 2012 &amp; the next sales tax filing date</p>	<p>Sales tax collection and reporting is in compliance with the State Comptroller's Office.</p>

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