


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

April 9, 2015

MEMORANDUM

To: Mr. Robert W. Dodd, Principal
Argyle Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
June 1, 2013, through February 28, 2015

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 April 2, 2015, with you and Mrs. Denia Moreno, financial specialist, we reviewed the status of the conditions described in our prior audit report dated August 30, 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

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. 20-4). 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 they 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 that bears two signatures, one of which is that of the principal or acting principal. In our sample of disbursements, prior approval was not consistently obtained and invoices were not always annotated to indicate the satisfactory receipt of the goods or services. 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 for your approval at the beginning of the school year. These budgets should be monitored by your financial specialist and revised if necessary.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Although sponsors are submitting a fund-raiser request form for your approval to conduct an activity, they are not submitting a completion report at the conclusion of the activity so that results could be evaluated. A completion report for an activity involving the sale of items should include the total number of items for sale and cost of each, selling prices, and any remaining inventories 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 activity.

Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, date 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 specialist at the completion of each trip, and compared to remittances recorded in the trip account history report. The data also should be used to estimate future trips. We found that not all sponsors are providing completed data at the conclusion of each trip, and that data is not being compared to the final account history report nor used for planning future trips. We also found instances in which fees collected exceeded sums needed to pay for a trip. 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 trip planning be reviewed to ensure established fees are commensurate with trip expenses (see MCPS Financial Manual, p. 20-10).

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement;
- Purchaser must confirm receipt of goods or services prior to disbursement;
- Fund-raiser completion reports must be prepared by the sponsor for review 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
- Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses.

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. Darryl L. Williams, associate superintendent of middle schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

Dr. Zuckerman
Dr. Statham
Dr. Navarro
Mr. Sanderson
Dr. Williams
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit

June 2, 2015

MEMORANDUM

To: Dr. Darryl Williams, Associate Superintendent
From: Robert W. Dodd, Principal
Subject: Response to Argyle Middle School Audit

The purpose of this memorandum is to document the actions that have been taken at Argyle Middle School to address the recommendations put forth by the Independent Activities Fund Audit for the period June 1, 2013 through February 28, 2015. I would like to thank the Internal Audit Office of MCPS for their support, guidance, and considerable time. The actions that are detailed below are in direct response to specific findings documented in the Argyle Audit Report and I believe adequately ensure that Argyle MS is in compliance with the financial policies and procedures directed by MCPS.

Finding

- 1.) Not all disbursements are pre-approved by either an estimate, allowable spending limit, or approved budget. Additionally, not all invoices were marked as received satisfactorily. Principal not approving JP Morgan transactions online.

Action

- The financial specialist and principal will regularly review requests for purchase before approval is given. Additionally, the financial specialist and principal will review accounts related to purchase requests. The principal will set spending limits for purchase requests in conjunction with the financial specialist. The financial specialist will email requester and copy principal will approved request amount.
- The financial specialist will ensure that all receivables are reviewed in the main office. The financial specialist will communicate to staff that before they take possession of items received, that orders will be inventoried.
- The principal will collaborate with the administrative secretary to review and approve JP Morgan transactions regularly.

Finding

- 2.) Fundraisers: Sponsors not filling out fundraiser completion report, not analyzing results, request forms approved by the assistant principal, and sponsors holding funds instead of remitting on a daily basis.

Action

- Principal will ensure that fundraiser sponsors take full responsibility for all aspects of fundraising accounting and monitoring. In the past, the financial specialist was used to support this effort. However, this led to poor communication and implementation as sponsors did not assume enough fiduciary responsibility.
- The financial specialist and principal will review fundraising protocols at a staff meeting, including completion report, inventory report, remittance, and how to analyze results.
- All fundraising requests will be approved only by the principal in conjunction with the financial specialist.

Finding

- 3.) Field Trips: Sponsors not turning in a final field trip accounting to show number of student eligible for trips, those that paid, date, amount paid, and waivers. Some trips had increased costs for substitute allocation which were then not utilized.

Action

- The financial specialist and principal will review field trip protocols at grade level team meetings during pre-service week.
- The financial specialist will email and copy principal to ensure that field trip sponsors and participating teachers provide a final field trip accounting form (attached to email) and any other required forms to provide final reconciliation.
- As needed, the principal will review final field trip accounting with the financial specialist to ensure that sponsors and staff receive feedback on the accuracy of their reconciliation.
- Principal will review substitute cost in field trip requests to determine whether substitute use is required and will collaborate with the administrative secretary to ensure that substitutes are in fact used appropriately.

Rd

Copy to:

MCPS Internal Audit Office