

Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

March 1, 2013

MEMORANDUM

To: Mrs. Louise J. Worthington, Principal  
John T. Baker Middle School

From: Roger W. Pisha, Supervisor, Internal Audit *RWP*

Subject: Report on Audit of Independent Activity Funds for the Period  
June 1, 2011, through December 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 February 14, 2013, with you, and Ms. Pamela Ingram, financial specialist, we reviewed the status of the conditions described in our prior audit report dated July 25, 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

We found staff collecting funds were at times holding rather than remitting them timely to the financial specialist. Remittances received should, in turn, be promptly deposited into the school's bank account. Large and infrequent deposits increase the possibility of loss of funds as well as

decrease the school's ability to fund activities. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected should be remitted to the financial specialist daily and promptly deposited (see MCPS Financial Manual, p. 7-4). In addition, all remittances on hand must be deposited before each weekend or holiday.

Review of field trip activities again revealed that although sponsors are providing cost and fee information as funds are collected and remitted, not all field trip sponsors are providing comprehensive financial information to the financial specialist at the completion of a 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. The comprehensive information should include the student names of all who are eligible to participate in the trip annotated with the amount each student paid, those students who did not participate, and students who received waivers, scholarships or reduced fees to provide assurance that all field trip fees have been remitted. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above. We noted a few field trips that were not recorded in a field trip account, and that the assistant principal had approved field trips without this authority being delegated in writing from the principal (see MCPS Financial Manual, p. 20-3 and p. 20-9).

Admission receipts for events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. Admission event controls include 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 again found transactions recorded in club and class accounts, and that ticket reports were not always signed by the ticket controller when tickets were issued. Change funds were recorded in activity accounts precluding us from always being able to determine whether or not those advances of funds had been returned separately or commingled with receipts. We found that complimentary tickets were not accounted for separately on ticket reports when issued, and there was no perpetual inventory of MCPS tickets. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events, that all tickets be serially numbered and issued by the ticket controller, and that a perpetual inventory is maintained.

Sales of PE uniforms should comply with the requirements outlined in the *Handbook for the Operation of School Stores*. We again noted some weaknesses in the accounting process for the sale of uniforms that included the inability to reconcile funds collected from students to the records of sales. To improve controls, we recommend documenting uniform sales on a spreadsheet that can be reconciled to account activity recorded in the general ledger. In addition to recording purchases and sales, inventory records should be adjusted for giveaways and for garments that become damaged or obsolete. The accuracy of these records should be verified at least annually by comparing them to a physical count of the actual inventory items. The inventory items should be secured at all times, and with restricted access to lessen the likelihood of a loss.

Summary of Recommendations

- Funds collected by sponsors must be promptly remitted using MCPS Form 280-34 to the financial agent for timely deposit to the bank;
- 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);
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA (repeat); and
- Physical Education uniform sale and inventory processes should comply with the requirements outlined in the *Handbook for the Operation of School Stores* (repeat).

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, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

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

**John T. Baker Middle School - Fiscal Management Action Plan****Attachment A**

School: John T. Baker Middle School

Date: March 27, 2013

Approved by Principal: Louise J. WorthingtonDate of approval: 4/3/13

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>We found staff collecting funds were at times holding rather than remitting them timely to the financial specialist. Remittances received should, in turn, be promptly deposited into the school's bank account. Large and infrequent deposits increase the possibility of loss of funds as well as decrease the school's ability to fund activities. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected should be remitted to the financial specialist daily and promptly deposited (see MCPS Financial Manual, p. 7-4). In addition, all remittances on hand must be deposited before each weekend or holiday.</p>	<p>Sponsors/teachers have been informed in person, via e-mail and again through their team leaders on the correct process for collecting funds. Funds collected must be turned in daily. No holding of funds by sponsors/teachers. Complete Independent Activity Funds (IAF) Remittance Slip, Form 280-34 and turn into the school financial specialist (SFS) throughout the school day for timely processing to the bank.</p>	Daily AM/PM	<p>Ms. Ingram, SFS will accept deposits throughout the school day. In the event that she is out of her office, funds are to be placed in a sealed envelope along with the completed/signed IAF Remittance form. The sponsor/teacher must sign the sealed envelope to verify the deposit amount enclosed and turn the deposit envelop into Ms. Nixon or admin staff who will lock the deposit in the SFS office. Upon the SFS return the teacher/sponsor shall witness the opening of the sealed envelope to verify funds in the envelope for deposit. They will then receive there SFO receipt for funds at that time.</p>

**John T. Baker Middle School - Fiscal Management Action Plan**

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<p>Review of field trip activities again revealed that although sponsors are providing cost and fee information as funds are collected and remitted, not all field trip sponsors are providing comprehensive financial information to the financial specialist at the completion of a trip. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41, <i>Field Trip Accounting</i>, or equivalent, and submit the data to the financial specialist when a trip is completed. The comprehensive information should include the student names of all who are eligible to participate, and students who received waivers, scholarships or reduced fees to provide assurance that all field trip fees have been remitted. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above. We noted a few field trips that were not recorded in a field trip account, and that the assistant principal had approved field trips without this authority being delegated in writing from the principal (see MCPS Financial Manual, p. 20-3 and p. 20-9).</p>	<p>Sponsors have been informed in person and via e-mail on the procedures required to schedule, conduct and the completion of a comprehensive field trip report to be turned in to the SFS before departing on the field trip.</p> <p>Sponsors are to use the MCPS Form 280-41, <i>Field Trip Accounting</i> form or equivalent. The comprehensive information that must be included is student names of all who are eligible to participate on the trip, cost paid by each student, names of students who do not participate, names of students who received waivers, scholarships/reduced fees to provide assurance that all field trip fees have been remitted.</p>	<p>Completion report is due to SFS on the day of the field trip before departing from school.</p>	

## John T. Baker Middle School - Fiscal Management Action Plan

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<p>Admission receipts for events should be controlled according to MCPS Regulation DMB-RA, <i>Control of Admission Receipts</i>. Admission event controls include serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, <i>Tickets and Cash Report of Admissions Manager</i>, for tracking and reconciling sales, and a perpetual inventory of tickets.</p> <p>We again found transactions recorded in club and class accounts, and that ticket reports were not always signed by the ticket controller when tickets were issued. Change funds were recorded in activity accounts precluding us from always being able to determine whether or not those advances of funds had been returned separately or commingled with receipts. We found that complimentary tickets were not accounted for separately on ticket reports when issued, and there was no perpetual inventory of MCPS tickets. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events, that all tickets be serially numbered and issued by the ticket controller, and that a perpetual inventory is maintained.</p>	<p>Ticket inventory will be used for tracking and recording sales.</p> <p>Each year the school holds four dances to create funds for student recognition and SGA. Starting with the SGA dance in February funds will be assigned to a fund raiser account to sell tickets for attendance. A separate fund raiser account for concession purchases will be used. After the sales and purchase reimbursements have been finalized the remaining funds will be transferred back to the SGA account.</p> <p>Change fund accounts will be used for ticket sales and concession sales – till startup money for:</p> <ul style="list-style-type: none"> <li>dance tickets</li> <li>talent shows</li> <li>drama productions</li> </ul> <p>Ticket sales will start with 10 five dollar bills. Concession sales will start with 100 ones.</p>	Sept.–Back-to-School October – SGA February - SGA March – Spirit	

## John T. Baker Middle School - Fiscal Management Action Plan

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<p>Sales of PE should comply with the requirements outlined in the <i>Handbook for the Operation of School Stores</i>. We again noted weaknesses in the accounting process for the sales of uniforms that included the inability to reconcile funds collected from students to the record of sales. To improve controls, we recommend documenting uniform sales on a spreadsheet that can be reconciled to account activity recorded in the general ledger. In addition to recording purchases and sales, inventory records should be adjusted for giveaways and for garments that become damaged or obsolete. The accuracy of these records should be verified at least annually by comparing them to a physical count of the actual inventory items. The inventory items should be secured at all times, and with restricted access to lessen the likelihood of a loss.</p>	<p>The sponsor has been asked to keep accurate records of the PE uniforms in stock by taking a new inventory of remaining stock for FY13 and any new shipments received since the beginning of the year. Records are to be maintained to include all purchases, giveaways and any damaged garments returned to vendor for credit or replacement.</p> <p>Ms. Ingram will meet with the sponsor to share a spreadsheet created by another school that the auditor feels will help with Baker's inventory tracking of PE clothing.</p> <p>The sponsor will take a physical inventory accompanied by an independent person as follows:</p> <ul style="list-style-type: none"> <li>June – End of Year Inventory</li> <li>December – Winter Break Inventory</li> <li>September – Beginning of New School Year Inventory</li> </ul>	<p>July 2011</p> <p>June Current Yr. December Current Yr. September New Yr.</p>	

*Note: A copy of the approved plan is to be sent to the Internal Audit Office, Upcounty Regional Services Center.*