


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

April 18, 2016

MEMORANDUM

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

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2014, through February 29, 2016

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 15, 2016, with you, Mrs. Elizabeth Thomas, director of middle schools, and Ms. Pamela Ingram, financial specialist, we reviewed the status of the conditions described in our prior audit report dated January 7, 2015, 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

The management of IAFs must be in accordance with good business practices that include sound accounting procedures and internal controls. Those entrusted with MCPS resources are responsible for establishing and maintaining effective controls to ensure that programs meet the

school's goals and objectives (see MCPS Financial Manual, p. 20-1). The principal is responsible for all monies received or disbursed within the school as well as the implementation of internal controls for achieving compliance with MCPS policies, regulations, and procedures pertaining to these funds. We again found many weaknesses in the maintenance and timely preparation of monthly financial reports including bank reconciliations and reports routinely completed after the 20th of the following month, numerous accounts with negative balances, transfers not approved by principal and sponsors when appropriate, and sponsors not always receiving monthly account history reports. We recommend that financial staff review IAF Guiding Principles and other relevant information in the MCPS Financial Manual to ensure compliance.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly and intact to the financial specialist together with MCPS Form 280-34, *IAF Remittance Slip*. Cash should be counted in the presence of the remitter, and a receipt that is supported by Form 280-34 should be issued promptly. In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and either place the sealed envelope in the business office safe or receive written acknowledgement that it was provided to the financial specialist. Verification of these funds will be conducted in the presence of the remitter as soon as possible thereafter. We again found that some sponsors were holding funds collected rather than remitting them to the financial specialist on a daily basis, and the financial specialist was not always making timely deposits; holding money in excess of permitted amounts. During our review of receipts, we also noted that some funds collected from students and remitted to the financial specialist were not accompanied by Form 280-34, and not all sponsors received a receipt generated from the accounting software program. We also found there was no clear process for securing funds when the financial specialist was unable to verify them. To improve controls, we recommend adoption of 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 again found that there was a lack of adherence to these guidelines. 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 financial office. Financial activities for each fund-raising activity should be recorded in a separate account in the 7000 series and a completion report prepared that analyzes the results (see MCPS Financial Manual, p. 20-12).

In accordance with the September 25, 2014, memorandum from the chief operating officer (COO), *Regulatory Change Regarding Foods and Beverages Sold to Students During the School Day*, no commercial pizzas can be sold between 12:01 a.m. and 30 minutes after the end of the school day. We found the school conducted numerous pizza fund-raisers that were held immediately after the end of the school day. In accordance with MCPS Regulation JPG-RA, *Wellness: Physical and Nutritional Health*, food and beverages available to students outside of

the school meal program should make a positive contribution to the students' diet and promote health. Staff should avoid using candy or other foods of minimal nutritional value as a reward. During the audit, we noted that students were allowed to use Bulldog Bucks to purchase soda and candy as well as decorate donuts for consumption at a minimal fee. We recommend compliance with MCPS Regulation JPG-RA as well as the guidelines in the September 25, 2014, memorandum from the COO.

The yearbook sponsor is required to keep detailed records of the number of books sold at the school, online by the vendor, and the prices charged as well as the number of books distributed free of charge (see MCPS Financial Manual, p. 20-13). The records kept by the yearbook sponsor again did not enable us to reconcile the number of books purchased with the number sold, given free, and the remaining inventory. We were therefore unable to determine that all funds generated from this activity had been remitted. We recommend the yearbook sponsor be counseled and assisted with the record-keeping required for this activity.

Admission receipts for school events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. These events 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 perpetual inventory of tickets. For ticketed events, the forms on file appeared to have been initiated after the conclusion of the activity, rather than when tickets were issued by the ticket controller to the admissions manager. We noted that office staff were selling tickets at lunch and remitting funds to financial specialist with no ticket reports and at times no Form 280-34. We found no accurate perpetual inventory of tickets and some tickets had been given to staff members to use for other activities. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events.

Sales of PE clothes should comply with the requirements outlined in the *Handbook for the Operation of School Stores*. We again noted weaknesses over the accounting process for the sale of clothing, and records of funds collected from students could not be reconciled to records of sales. To improve controls, we recommend tracking of uniform sales on a spreadsheet that can be reconciled to records of account activity. In addition, inventory records should be adjusted for sales, purchases, giveaways, and for garments that are damaged or obsolete. The inventory record should be compared to a physical count which should be performed at least twice a year. The inventory should be secured at all times to lessen the likelihood of a loss.

Summary of Recommendations

- IAF must be managed in accordance with sound accounting practices and effective internal control procedures (repeat);
- Cash control of school funds must be in accordance with chapter 7 of the MCPS Financial Manual (repeat);

- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund-Raiser* (repeat);
- Food and beverage items available to students outside the school meals program should comply with MCPS Regulation JPG-RA and COO guidance;
- Yearbook sponsor records must account for the number of books purchased, sold, distributed at no cost, and ending inventory (repeat);
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA; 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 Mrs. Elizabeth Thomas, director 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
Dr. Williams
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit
Mrs. Thomas

Fiscal Management Action Plan

School: John T. Baker Middle School
 Approved by: 
 Principal: Dr. Louise J. Worthington
 Date of approval: 5/13/10

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>A. The management of Independent Activity Funds (IAF's) must be in accordance with good business practices that include sound accounting procedures and internal controls. Those entrusted with MCPS resources are responsible for establishing and maintaining effective controls to ensure that programs meet the school's goals and objectives (see MCPS Financial Manual, p. 20-1). The principal is responsible for all monies received or disbursed within the school as well as the implementation of internal controls for achieving compliance with MCPS policies, regulations, and procedures pertaining to these funds.</p> <p>1. We again found many weaknesses in the maintenance and timely preparation of monthly financial reports including bank reconciliations and reports routinely completed after the 20th of the following month,</p>	<p>1. School Financial Specialist (SFS) will complete monthly financial reports including bank reconciliations and reports by the 20th of the following month.</p>	<p>1. Principal - SFS have Weekly Meetings on Mondays at 2:30 pm and the 10th of every month at 8:30 am</p>	<p>1. Principal's review and signature on reports</p>
<p>2. Numerous accounts with negative balances,</p>	<p>2. SFS will reconcile accounts with negative balances.</p>	<p>2. As per A1</p>	<p>2. Principal's review and signature on reports</p>
<p>3. Transfers not approved by principal and sponsors when appropriate, and</p>	<p>3. Transfers will be approved by Principal and sponsors</p>	<p>3. As per A1</p>	<p>3. Principal's and sponsors' review and signatures on transfers</p>
<p>4. Sponsors not always receiving monthly history reports.</p>	<p>4. Sponsors will receive monthly history reports</p>	<p>4. As per A1</p>	<p>4. Principal's and sponsors' review and</p>

<p>5. We recommend that financial staff review IAF Guiding Principles and other relevant information in the MCPS Financial Manual to ensure compliance.</p>	<p>5. SFS has registered in PDO for the May 3, 2016, School Finance Training – Part 2. Principal and SFS will register in PDO for the Fall, School Finance Training – Part 1 and attend together</p>	<p>5. SFS trained May 3rd on Part 2. Principal and SFS will be trained on Part 1 available Fall 2016</p>	<p>signature on monthly history reports 5. PDO Transcripts</p>
<p>B. In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be submitted promptly and intact to the financial specialist together with MCPS Form 280-34, <i>Remittance Slip</i>.</p> <p>1. Cash should be counted in the presence of the remitter, and a receipt that is supported by the Form 280-34 should be issued promptly. In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and either place the sealed envelope in the business office safe or receive written acknowledgement that it was provided to the financial specialist. Verification of these funds will be conducted in the presence of the remitter as soon as possible thereafter.</p>	<p>1. Principal and SFS will train ILT staff and sponsors that MCPS Form 280-34, <i>Remittance Slip</i>, must accompany all cash and checks for deposit. Remitter must remain in SFS office to verify cash as counted by SFS. A Business Office Drop Safe will be installed outside the Financial Secretary's Office to be utilized in the event that SFS is not available. In such cases, the remitter will put form 280-34, cash and checks in a sealed envelope, sign across the sealed area and place in the Business Office Drop Safe. Until the Business Office Drop Safe is installed, the procedure will be for the remitter to give the envelope marked with their name to the administrative secretary, in the event she is not available it will go to Mr. Bradley in his absence to Ms. Humphries in her absence to Dr. Worthington and will be placed in SFS safe. Remitter will be present when SFS returns, envelope will be opened and counted in presence of both. SFS will enter into SFO and provide</p>	<p>1. ILT trained at April 19th ILT Meeting; all staff trained during rolling Staff Meetings on May 2nd, multiple individual and small groups of Sponsors trained April 2016; and on-going each year Business Office Drop Safe to be installed May 2016</p>	<p>1. SFS will submit daily Deposit Analysts Form, Deposit Slip and Forms 280-34 for Principal for review and signature Business Office Drop Safe Installed in SFS Office TBD in May</p>

<p>2. We again found that some sponsors were holding funds collected rather than remitting them to the financial specialist on a daily basis, and</p> <p>3. The financial specialist was not always making timely deposits; holding money in excess of permitted amounts.</p> <p>4. During our review of receipts, we also noted that some funds collected from students and remitted to the financial specialist were not accompanied by Form 280-34, and not all sponsors received a receipt generated from the accounting software program.</p> <p>5. We also found there was no clear process for securing funds when the financial specialist was unable to verify them.</p> <p>6. To improve controls, we recommend adoption of the procedures in the MCPS Financial manual, pp. 7-3, 7-4.</p>	<p>remitter a receipt in a timely manner. Staff will be trained if they do not receive a receipt they are to inform an Administrator immediately for follow up with the SFS.</p> <p>2. As per B1 and in addition, SFS will be trained to inform an Administrator immediately when sponsor remittance is not submitted on a daily basis for follow up with remitter.</p> <p>3. The SFS will make deposits at least once each day at the end of the school day and will not hold money in excess of \$250.</p> <p>4. As per B1 and in addition, Financial Specialist will require Form 280-34 from staff remitting funds collected from students. SFS will be trained to inform an Administrator immediately when sponsor remittance is not submitted with Form 280-34 for follow up with remitter. Sponsors will receive a receipt generated from the accounting software program. Staff will be trained that if they do not receive a receipt, they are to immediately report this to an Administrator for follow-up with the SFS.</p> <p>5. As per B1</p> <p>6. SFS will review/implement procedures in MCPS Financial Manual pp. 7-3, 7-4.</p>	<p>2. As per B1</p> <p>3. Deposits made within 24 hours of receipt of remittance by Financial Specialist</p> <p>4. As per B1</p> <p>5. As per B1</p> <p>6. As of April 18, 2016</p>	<p>2. Principal to re-train delinquent remitter on procedures</p> <p>3. SFS will submit daily Deposit Analysis Form, Deposit Slip and Forms 280-34 for Principal for review and signature</p> <p>4. Principal to re-train delinquent remitter on procedures</p> <p>5. As per B1</p> <p>6. As of April 18, 2016</p>
--	--	---	--

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>C. Fund-raising at the school must conform to the <i>Guidelines for Sponsoring an Independent Activity Fund-Raiser</i>. We again found that there was a lack of adherence to these guidelines. 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.</p> <p>1. Each fund-raiser should be approved by the principal in writing and the approval retained in the school financial office.</p> <p>2. Financial activities for each fund-raising activity should be recorded in a separate account in the 7000 series and</p> <p>3. A completion report prepared that analyzes the results (see MCPS Financial Manual, p. 20-12).</p>	<p>1. Principal and SFS will train ILT and sponsors regarding the <i>Guidelines for Sponsoring an Independent Activity Fund-Raiser</i>. Guidelines will be adhered to by the following steps: Sponsor must e-mail Dr. Worthington providing the fund-raiser information. She will reply with approval or denial. If approved sponsors must complete the Fund Raiser Completion Report approval form obtaining both Principal and SFS signatures before any advertising or promoting of event can occur. Fund-raiser in conjunction with a food establishment must follow the same rules.</p> <p>2. SFS will record financial activities for each fund-raising activity in separate account in the 7000 series</p> <p>3. As per CI</p>	<p>1. ILT trained at April 19th ILT Meetings; all staff trained during rolling Staff Meetings on May 2nd, multiple individual and small groups of Sponsors trained April 2016; and on-going each year</p> <p>2. As of April 18, 2016</p> <p>3. As per CI</p>	<p>1. Principal's review and signature on Fund Raiser Request and Completion Reports</p> <p>2. Principal's review and signature on monthly account reports</p> <p>3. As per CI</p>

<p>D. In accordance with the September 25, 2014, memorandum from the chief operating officer (COO), <i>Regulatory Change Regarding Foods and Beverages Sold to Students During the School Day</i>.</p> <ol style="list-style-type: none"> 1. No commercial pizzas can be sold between 12:01 a.m. and 30 minutes after the end of the school day. We found the school conducted numerous pizza fund-raisers that were held immediately after the end of the school day. In accordance with MCPS Regulation JFG-RA, <i>Wellness: Physical and Nutritional Health</i>, food and beverages available to students outside of the school meal program should make a positive contribution to the students' diet and promote health. 2. Staff should avoid using candy or other foods of minimal nutritional value as a reward. During the audit, we noted that students were allowed to use Bulldog Bucks to purchase soda and candy as well as decorate donuts for consumption at a minimal fee. We recommend compliance with MCPS Regulation JFG-RA as well as the guidelines in the September 25, 2014, memorandum from the COO. 	<p>1. Baker MS will no longer engage in fund-raisers with non-nutritional foods between 12:01 am and 30 minutes after the end of the school day</p> <p>2. Baker MS will no longer provide student rewards for recognition that do not meet MCPS regulations and the COO guidelines.</p>	<p>1. As of April 18, 2016</p> <p>2. As of April 18, 2018. Article in <i>Prin Prints</i> Newsletter April 25, 2016</p>	<p>1. Principal's review and signature on Fund Raiser Request and Completion Report</p> <p>2. Principal's review and signature on IAF Request for Purchase Form 280-54. Request denied if not in compliance</p>
<p>E. The yearbook sponsor is required to keep detailed records of the number of books sold at the school, online by the vendor, and the prices charged as well as the number of books distributed free of charge (see MCPS Financial Manual, p. 20-13).</p> <ol style="list-style-type: none"> 1. The records kept by the yearbook sponsor again did not enable us to reconcile the number of books purchased with the number of sold, given free, and the remaining inventory. We were therefore unable to determine that all funds generated from this activity had been remitted. We recommend the yearbook sponsor be counseled and assisted with the record-keeping required for this activity. 	<p>1. SFS has provided Sponsor with an electronic copy of the Sales Report and Profit and Loss Statement. Principal and SFS will train sponsor on yearbook responsibilities.</p>	<p>1. Principal and SFS trained Yearbook Sponsor May 12, 2016 and on-going each year</p>	<p>1. Principal review and signature on Fund Raiser Request and Completion Reports</p>