


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

April 24, 2012

MEMORANDUM

To: Ms. Ruschelle Reuben, Principal  
Benjamin Banneker Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
July 1, 2010, through January 31, 2012

This audit report presents the results of our examination of the financial records, reports, and internal accounting controls relating to the Independent Activity Funds (IAF) for your school for the period designated above. The examination was made to evaluate the adequacy of accountability over these funds, compliance with applicable Montgomery County Public Schools (MCPS) policies and procedures, and effectiveness of IAF management.

In our meeting on April 17, 2012, with you and Mrs. Barbara Roche, financial specialist, we reviewed conditions described in our previous report dated September 27, 2010, and the status of present conditions. It should be noted that you were appointed as principal effective July 1, 2011. Our findings and recommendations appear below.

Findings and Recommendations

We previously reported controls over disbursements were weakened by failure of sponsors to obtain advanced approval before committing to a purchase. While this aspect of purchasing has improved, we again found weaknesses in this process. In our sample we noted instances of purchases that were not adequately supported and invoices not marked to indicate that goods or services were received. Action is needed to correct these conditions and bring purchasing into conformity with MCPS requirements (see MCPS Financial Manual, p. 20-5).

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. We found that not all purchase logs were being submitted for review and signature by the principal. We also noted that some receipts were missing, as well as certification of receipt of goods or services for some purchases. We recommend purchasing card members be required to comply with the requirements of the MCPS *Purchasing Card Users Guide*.



Sponsors of field trips should have a complete class or club roster of student names and annotate how much each student paid, 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 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 costs of future trips. 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 nor used for planning 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 (see MCPS Financial Manual, p. 20-9).

Sales of PE uniforms should comply with the requirements outlined in the *Handbook for the Operation of School Stores*. We previously noted weaknesses over the accounting process for the sale of uniforms. During our present audit, we found the records pertaining to uniform sales were not adequate to enable a reconciliation of purchases and sales of uniforms to assure all sales revenue was remitted. In addition, we noted that sales taxes were being paid when uniforms were purchased from the vendor, rather than be remitted to the state on the value of uniforms sold, and that no required profit or loss statement was prepared for the 2011 school year. To improve controls, we recommend that complete records of uniforms distribution be kept and reconciled to account activity, inventory should be secured at all times, and records be maintained to enable the preparation of a correct profit or loss statement.

The yearbook sponsor is required to keep detailed records of the number of books sold, the price charged as well as the number of books distributed free of charge (see MCPS Financial Manual, p. 20-11). The records kept by the yearbook sponsor 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.

In order to properly control and account for receipts, they should be remitted promptly to the financial specialist accompanied by MCPS Form 280-34, *Remittance Slip*, counted in the presence of the remitter and a receipt issued. We found the required remittance slip was not being used and that remittance and receipt records were not filed in a manner that enabled tracing of funds to bank deposits. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual, pp. 7-3, 7-4.

During our review of the picture commission account, we noted a disbursement for a staff development expenses. Since there are restrictions on use of student funds for this purpose, we recommend a separate account be established and used for these expenses. In addition, we contacted the picture company to verify all commissions had been paid and learned that one commission check sent to the school had not been paid by the picture company's bank. We recommend you verify that a replacement check is received and duly deposited.

Summary of Recommendations

- Receipt of goods or services must be confirmed prior to disbursement;
- Adequate documentation must be provided to support disbursements;
- Purchase card transactions must be documented, reviewed, and approved 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 (repeat);
- Physical Education uniform sale and inventory processes should comply with the requirements outlined in the *Handbook for the Operation of School Stores* (repeat);
- Taxes should be collected on taxable sales and remitted to the Maryland Comptroller (repeat);
- Yearbook profit or loss statement must be prepared to account for all activity;
- Funds collected must be promptly remitted by sponsors to the financial agent using MCPS Form 280-34; and
- Staff development expenditures must be funded from sources other than student revenue.

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. Myra Smith, acting community superintendent. The Office of School Performance will follow up on this audit.

RWP:LS:sd

Copy to:

Mr. Bowers  
Dr. Lacey  
Mr. Talley  
Dr. Smith  
Mrs. DeGraba  
Mrs. Milwit  
Mr. Doody



# Fiscal Management Action Plan 2012

School: Banneker Middle School

Principal: Ruschelle Reuben

Approved by community superintendent: \_\_\_\_\_

Date of approval: \_\_\_\_\_

| Findings and Recommendations of School's Financial Report                               | Description of Resolution And Person(s) Responsible   | Timeline   | Evidence of Completion   |
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| Receipt of goods or services must be confirmed prior to disbursements.                  | All staff must have prior approval from the principal using form 280-54 before making any purchases over \$75.00. This procedure has been outlined in the Banneker Financial Handbook. All disbursements will have adequate documentation to support the check request.                         | In Process at this time                                | All staff have been notified about prior approval for purchases over \$75.00 using MCPS Form 280-54.   |
| Purchase card transactions must be documented, reviewed, and approved by the principal. | Each month staff having AMEX cards will complete purchase log MCPS form 234-21 with attached supporting documents and submit to the financial specialist for the close of previous months statements.   | Starting for the Month of April                        | The purchasing card logs will be reviewed and signed by the 15 <sup>th</sup> of each month by Ms. Reuben. The financial specialist will work with staff to comply with the requirements of MCPS Purchasing Card Users Guide. |
| Field trip information  | There are procedures in place for field trip sponsors to use an excel spreadsheet that will enable staff to track students who went, students who received a scholarship, those who did not go, and those receiving refunds. Sponsors will turn in a list of paid students with daily deposits. | Currently in place                                     | Field trip sponsors will turn in all completed forms to the financial specialist when the trip is over. This includes a completed list of all students who participated or did not participate.                              |
| Sale of PE uniforms to comply with the School Store Operations Manual                   | The Manual will be reviewed by the head of PE and the financial specialist. For the coming school year there will be new procedures to track inventory, sales and reconciliation of this account. Sales tax will be collected on all final sales of uniforms for the coming school year.        | Before the end of the school year in June              | A complete inventory of remaining uniforms will be taken and a profit and loss statement will be completed for this school year. Sales tax will be collected on the sales of uniforms  |
| Yearbook records need to be more complete   | A copy of the audit guidelines has been given to the sponsor from the MCPS Financial Manual p 20-11. The Financial Specialist will work with the sponsor to comply.   | Records finished by the end of the school year in June | A complete accounting of all books received, sold, given away and a profit and loss statement completed by the end of this school year.  |

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| Funds collected must be promptly remitted by sponsors to the financial specialist using MCPS form 280-34. | Staff has been instructed to use MCPS form 280-34 when remitting funds to the financial specialist according to the Financial Manual, pp.7-3, 7-4.                | Currently in place   | MCPS form 280-34(Remittance Slip) are filed along with the EPES receipts. Bank deposit receipts are attached to daily EPES receipts to enable tracing deposits.   |
| Staff development expenditures must be funded from sources other than student revenue.                    | A separate account will be set up for staff development for the coming fiscal year. The commission check that was missing was replaced and it has been deposited. | The accounts will be established with the new fiscal year. | A separate account will be created for staff development expenses. Guidelines will be followed according to the memo dated April 16, 2012 from Mr. Bowers' office regarding "Revised Guidelines for Independent Activity Fund Staff Appreciation and Meeting Refreshment Expenditures". |
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*Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.*