


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

November 7, 2013

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  
February 1, 2012, through September 30, 2013

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 6, 2013, with you, and Ms. Barbara Roche, financial specialist, we reviewed the status of the conditions described in our prior audit report dated April 24, 2012, 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. 20-5). 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. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, we again found prior approval was not consistently obtained when required. Many disbursements did not have adequate documentation to fully explain the reason for the expenditure, and invoices were not always signed by the receiver. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and that complete documentation be attached to fully explain the reason for the purchase and what account is to be charged. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses, and obtaining 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*. We 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 with the approval retained in the school office. Financial activities for each fund raising activity should be recorded in a separate account and a completion report prepared that analyzes the results (see MCPS Financial Manual, p. 20-12).

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 found that ticket reports were not always signed by the ticket controller when tickets were issued, and no reports were prepared for pre-sale tickets. We noted ending ticket numbers recorded on ticket reports did not always match the beginning ticket number next time a roll was issued. Although concession items were purchased, we found no record for some of the sales while other concession sales lost money but no explanation or inventory report was documented. 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. Concession sales need to be analyzed to determine all proceeds from sales were remitted to the financial specialist separately from ticket sales.

#### Summary of Recommendations:

- Expenditure of funds must be approved by the principal prior to procurement (repeat);
- Fundraiser approval authority must be documented and completion reports must provide analysis of results; and
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

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:

Mr. Bowers

Dr. Statham

Dr. Schiavino-Narvaez

Mr. Sanderson

Dr. Williams

Mrs. DeGraba

Mrs. Milwit

Mrs. Chen



## Fiscal Management Action Plan

School: Benjamin Banneker Middle SchoolPrincipal: Ruschelle ReubenApproved by associate superintendent: *Daigle, Wm*Date of approval: 12/5/13

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Review of IAF purchases we found that not all are pre-approved by the principal. Staff does not indicate what account the purchase will be coming from or what the balance in that account is. Invoices are not being marked to indicate that items or services were received.	Before a check can be written, staff must complete the 280-54, indicate what account will be charged, the account balance, and then be signed by the principal. Staff will work with FS to prepare a budget expense or estimate for the year.  Retraining will be conducted for staff members via, faculty, ILT, and team meeting by the FS.	Starting now and on going	Staff will obtain a verbal approval for expenditures over the limit of \$50.00 from this point forward. Once a 280-54 has been approved and signed then a check will be written. Invoices will be clearly marked as received merchandise.
Review of fundraisers we found that not all sponsors had a request of completion report. Most completions reports did not have an analysis of activity and one paid for products from a statement instead of an invoice showing items purchase. Book Fair account appears to be kept open each year with little profit made. Candy sales by 8 <sup>th</sup> grade had unsold candy and no record of what happened to the 25 boxes of unsold candy.	Each sponsor for a fund raiser will complete the request form for fund raisers and be approved by the principal prior to the fund raiser. At the end of the fund raiser the sponsor with do completions report to indicate the profit or loss. Sponsors will provide the FS with the brochure of items for sale. Book fair funds will be transferred to the media center. Sponsors will keep an inventory of items to be sold.	Sponsors are getting approval from the principal before starting the fund raiser.	We are currently requiring all staff to fill out a Fund raiser request form before beginning the project. Several have completed the fund raiser and filled out the completion form. Also providing the brochure for the FS records. Fund raiser guidelines are being reviewed.
Review of admission events found that the FS was actually the ticket	The FS will sign as the controller and give each ticket event filling out the first part of the 280-50 giving the beginning ticket number, the ending	The ticket regulations will be in place for the	All ticket reports will be done according to regulation DMB-RA Controller will start the ticket form

<p>controller and did not start the ticket report until the tickets were returned with the money. Not all ending ticket numbers matched next beginning number. Found some held funds instead of turning in each day of sales. Pizza and snacks were purchased but no record of concession sales. Dance concessions lost with no explanation. No ticket reports were prepared for presales for Rock and Soul event.</p>	<p>number, the cost of tickets, and number of tickets issued. Sponsors' will fill out the second part and list the moneys collected. They will sign as admissions manager. The FS will count the money with the sponsor and sign as the ticket auditor. The receipts collected will be turned in daily. There is a perpetual inventory being kept. Concessions: To be clearly delineated. Petty cash will be on hand for the purpose of a change fund. Concession will have a documented process that will be strictly adhered to.</p>	<p>upcoming events. Starting with the December basketball games</p>	<p>280-50 and the admission manager selling the tickets will fill out the second half and list the monies collected.  Concessions will be documented using the inventory form 281-22. This form will inventory the concessions being sold.</p>

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