


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

December 28, 2015

MEMORANDUM

To: Dr. Otis L. Lee, Principal
Benjamin Banneker Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
August 1, 2014, through October 31, 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 December 16, 2015, with you and Miss Wendy Moten, financial specialist, we reviewed the status of the conditions described in our prior audit report dated August 28, 2014, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2015, and the assignment of Miss Moten was effective August 26, 2015. You should attend the mandatory finance training at your earliest convenience. 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. 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. After the purchase is completed, the purchaser must submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the financial specialist (see MCPS Financial Manual, pp. 20-6, 20-7). In our sample of

disbursements, prior approval was not consistently obtained, invoices were not always marked to show satisfactory receipt or stamped "Paid". 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 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*. Although most sponsors are submitting a fund-raiser request for your approval to conduct an activity, they are not submitting a completion report that analyzes the results of the activity. A completion report for an activity involving the sale of items should include the total number of items available for sale, the selling prices, and any remaining inventories to determine whether all sums that should have been 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.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (repeat);
- Purchaser must confirm receipt of goods or services prior to disbursement (repeat);
- Purchase invoices and receipts must be annotated as "Paid" to indicate disbursement was made; and
- Fund-raiser completion reports must be prepared by the sponsor for review by the principal.

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. Diane Morris, 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. Morris

Fiscal Management Action Plan

School: Benjamin Banneker Middle School
 Approved by: *[Signature]*

Principal: Dr. Otis Lee
 Date of approval: 1/29/16

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Purchase requests must be approved by the principal prior to procurement.	Staff must complete form 280-54, indicate the account to be charged including the balance and have signed by the Principal prior to making a purchase. Finance office procedures are available on T-shared and presentation to staff twice a year.	From now going forward	Staff will obtain written approval using form 280-54 before any purchases are made. Once approved, staff members can make purchase and must bring original receipt to FS within 5 days after purchase. Not following procedures will result in a notice of neglect.
Purchaser must confirm receipt of goods and services prior to disbursement	FS will confirm receipt of goods and stamp received date on packing slips prior to disbursement.	From now going forward	FS will check all packages to determine where they are to be delivered, and mark the packages accordingly so that Building Service can deliver them. Email will be sent to staff whom requested items, asking them to examine items received, initial, and date packing slip. Packing slips are due back to FS by the end of the next day.
Purchase documentation must be adequate to support disbursements.	FS will attach original receipts and or invoices stamped paid to request for purchase form	From now going forward	FS stamps "paid" on original invoices, attaches form 280-54 and the office copy check stub, and filed accordingly