


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

September 5, 2012

MEMORANDUM

To: Mr. Christopher S. Berry, Principal  
James Hubert Blake High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
February 1, 2011, through June 30, 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 August 28, 2012, with you, Mrs. Kathryn Vargo, business administrator, and Mrs. Mary O'Donnell, financial specialist, we reviewed the status of the conditions described in our prior audit report, 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

Admission receipts for athletic and non-athletic events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. Admissions 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. While receipts from most events were properly controlled, we found several weaknesses including the same type of ticket sold at different admission prices, MCPS Form 280-50 not used for athletic

playoffs or season tickets, inability to locate many of the unsold tickets from Prom 2012, and step competition prizes awarded to schools without documentation to indicate they had paid the registration fee to participate. We also noted that complimentary tickets were not properly recorded on MCPS Form 280-50 for accountability purposes. We recommend that admission to all events be controlled in accordance with the above cited regulation.

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 provided to the financial agent at the completion of each trip for comparison to remittances recorded in the trip account reconciliation report. Review of field trip activities 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 record of the names of participants and sums collected provides assurance that all field trip fees have been remitted (see MCPS Financial Manual, p. 20-9). Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. We noted that sponsors for two trips had collected fees from students prior to approval of principal and community superintendent, when required.

Equipment purchased with IAF becomes the property of MCPS and are subject to MCPS Regulations EDC-RA, *Control of Furniture and Equipment Inventory*, and if computer related, IGT-RA, *User Responsibilities of Computer Systems, Electronic Information, and Network Security*. We noted that equipment purchased by the school that should have been added to the MCPS inventory and affixed with barcodes was not. We also found that the described procedure for physical security of computer or related equipment was not being adhered to for the three iPads purchased with IAF. We recommend that staff review the above regulations to ensure that equipment is properly controlled, coded and the inventory adjusted to reflect purchases made with IAF, and that all purchases of equipment be coordinated with the MCPS Department of Materials Management to assure approvals and controls are achieved (see MCPS Financial Manual, p. 16-2).

In accordance with the August 4, 2008, memorandum from the Chief Operating Officer (COO), the expenditure of general funds to provide refreshments for staff meetings (IAF account 11) and staff appreciation (IAF account 20) was \$45 per staff FTE per fiscal year through June 30, 2012. Also, staff development accounts must be limited to funding sources that are clearly not designated student funds. We found that you exceeded your allowable amount for fiscal year 2012, and that you used student funds to support staff development. We found instances in which expenditures for these items were incorrectly classified and recorded in various accounts. Such commingling increases the time required to determine whether or not guidelines have been followed and decreases the value of your financial reports for decision making. We recommend you correctly classify and record these transactions for more accurate accountability as well as adhere to the guidelines from the COO. It should be noted that the April 16, 2012, memorandum from the COO adjusted the expenditure guideline from \$45 to \$60 per FTE effective FY 2013.



Each MCPS employee is to assume responsibility to ensure that his/her individual behavior and activities are consistent with the policy of the Board of Education (BOE) and not susceptible to conflict of interest (see MCPS Regulation GCA-RA, *Employee Conflict of Interest*). We discovered an affiliation between one of your staff members and a company from which you purchased goods and services during this audit period. The BOE encourages seeking advice of the Ethics Panel as to any potential conflict of interest (see BOE Policy BBB, *Ethics*). We could not find any evidence that this affiliation was made transparent in order to seek advice to resolve the appearance of a conflict of interest (see MCPS Financial Manual, p. 20-5).

#### Summary of Recommendations

- Admission events must be conducted in accordance with MCPS Regulation DMB-RA (repeat);
- 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;
- Equipment transactions must comply with MCPS Regulations EDC-RA and IGT-RA;
- Staff appreciation and meeting refreshment expenditures must be correctly classified and recorded with the combined total not exceeding a specified amount for a fiscal year without prior approval of the COO;
- Conflict of interest guidance found in BOE Policy BBB and MCPS Regulation GCA-RA, should be followed.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially that of Mrs. Vargo and Mrs. O'Donnell. 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, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:MB:sd

#### Copy to:

Mr. Bowers  
Dr. Statham  
Dr. Schiavino-Narvaez  
Dr. Marks  
Dr. Smith  
Mrs. DeGraba  
Mrs. Milwit  
Mr. Doody

## Fiscal Management Action Plan

School: JAMES HUBERT BLAKE HIGH SCHOOL

Principal: CHRISTOPHER S. BERRY

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
ISSUE WITH CONTROL OF ADMISSION RECEIPTS & TICKETS	SBA WILL ENSURE TICKETS ARE USED FOR ATHLETIC EVENTS; TICKETS ARE SOLD IN NUMERICAL ORDER AND COMPLIMENTARY TICKETS ARE PRINTED AND ISSUED SEPARATELY	FY13	MCPS FORM 280-50 IS SUBMITTED AND COMPLETE FOR ALL TICKETED SCHOOL EVENTS
FIELD TRIP RECORDS INCOMPLETE	SPONSORS OF FIELD TRIPS WILL PREPARE AND PROVIDE COMPREHENSIVE DATA TO ACCOUNT FOR ALL STUDENTS SO THAT SBA CAN RECONCILE FUNDS COLLECTED WITH COST OF THE TRIP	FY13	MCPS FORM 280-41 IS SUBMITTED AND COMPLETE FOR ALL FIELD TRIPS
FAILURE TO ADD SOME EQUIPMENT TO INVENTORY	SBA PLANS TO PURCHASE ALL EQUIPMENT VIA FMS IN ORDER TO ENSURE INCLUSION ON INVENTORY	FY13	ALL EQUIPMENT PURCHASED VIA FMS
OVER EXPENDITURE OF STAFF APPRECIATION ALLOCATION AND USING STUDENT FUNDS FOR STAFF DEVELOPMENT ITEMS	SBA WILL ENSURE ALL REFRESHMENTS/STAFF APPRECIATION ITEMS WILL BE INCLUDED IN THE \$60/FTE ALLOCATION, INCLUDING WATER SERVICE, AD LUNCHEON, ETC., AND PURCHASE OF ANY STAFF DEVELOPMENT RELATED ITEMS WILL BE CHARGED TO APPROPRIATE ACCOUNT	FY13	LIMITING STAFF RELATED EXPENDITURES TO THE PROPER ACCOUNT AND WITHIN THE LIMITS PRESCRIBED
AFFILIATION DISCOVERED BETWEEN STAFF MEMBER AND A COMPANY THE SCHOOL DOES BUSINESS WITH	SBA WILL ENSURE THE VENDOR IN QUESTION IS NO LONGER USED UNTIL THE ETHICS PANEL HAS GRANTED APPROVAL	FY13	APPROVAL FROM ETHICS PANEL TO USE VENDOR IN QUESTION