


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

May 18, 2012

MEMORANDUM

To: Ms. Kimberly Johnson, Principal
Briggs Chaney Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2011, through March 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 May 10, 2012, with you, Dr. Myra J. Smith, community superintendent, Ms. Edye Miller, MCAAP executive director, and Ms. Jan Snider, financial specialist, we reviewed the status of the conditions reported in our prior audit report, dated June 22, 2011, and discussed further actions needed to strengthen the accountability for IAF resources. We noted that you and Ms. Snider last attended school finance training in 2009. We recommend that you both attend training at your earliest convenience, and attend refresher training every two to three years.

At our meeting, we discussed progress made to improve conditions described in our previous report. Among these were monthly reports generated in a timely manner, signed purchase card logs on file reflecting no prohibited purchases, collected funds promptly remitted to the financial specialist, complete records turned in by sponsors at the completion of field trips, and improved controls over the sale of PE clothing. Our current audit findings and recommendations to strengthen internal controls appear below.

Findings and Recommendations

IAF financial records must not be removed from the school premises. In the event that unusual circumstances require an exception to this rule, all records must be returned to the school at the start of the next working day. There should never be a circumstance when financial records are unavailable during normal working hours. We were delayed in completing our audit field work as some records had been taken home by the principal, including deposit receipts that remained

away from the school for more than a week. We recommend that all records remain in the school to be available during all working hours (see MCPS Financial Manual, p. 20-14).

MCPS Board of Education Policy JNA, *Curricular Expenses for Students*, requires all course-related fees charged students be approved by the Office of School Support and Improvement (OSSI). Fees are to be used to purchase items or materials that become the property of the students paying the fees. The cost of any item approved as a fee by OSSI and paid by students cannot also be charged to operating budget funds. Our review of student fees noted that arts rotation students were charged fees that were not expended on consumables used by the students who were charged, but rather were used to cover expenses incurred in the operation of the orchestra and chorus programs. We also noted fees were collected for method books, but the cost for them was paid out of appropriated funds using the AMEX purchase card. We recommend that care be exercised to ensure fees are only charged if approved and needed to benefit the students who paid them. We also recommend that MCPS be reimbursed for the duplicate charge for the cost of the books.

Effective internal control requires submission of monthly reports to the principal for timely review and signature by the 20th of each month. The monthly bank statement is to be delivered to the principal, unopened. The principal shall review and sign the statement, arrange for an independent bank reconciliation to be conducted by someone other than school financial specialist, compare the manual independent reconciliation with the computer generated one prepared by the financial specialist, and resolve any differences between the two. We found a lack of evidence to indicate principal review of one-third of the bank statements and half of the comparisons for reconciliation reports examined during the audit period. In addition, the manual reconciliation process put in place by the principal did not conform to established guidelines. We recommend you initiate a process that ensures this important internal control process occurs monthly (see MCPS Financial Manual, Chapter 20, Appendix B).

Procurement using IAF funds must be controlled in a number of ways. All purchases must be approved in advance and in writing using either MCPS Form 280-54, *Request for a Purchase*, the MCPS purchase card, a memorandum indicating a specified amount, or a budget (see MCPS Financial manual, p. 20-4). After the purchase is completed, the purchaser should submit the invoice or documented evidence of purchase, noted to indicate the satisfactory receipt of the goods or services, to the financial specialist. We noted two memoranda issued by you, both dated March 26, 2012, to be confusing or redundant. One memo required staff to obtain advance approval on Form 280-54 prior to making a purchase with the AMEX card, and that purchases on the AMEX card over \$25 would not be reimbursed without the prior Form 280-54 approval. The other memo required staff, including those with an approved budget, to also obtain advance approval on Form 280-54 prior to making a purchase. We recommend you comply with MCPS procurement procedures, but in a manner that does not place additional redundant requirements on your staff.

Each IAF activity account should be assigned to a sponsor who plans and executes an event or program for students. Sponsors must review and sign the monthly account reconciliation reports for their assigned accounts, confirming that transactions were properly recorded. In order to request timely purchase approvals and provide informed account review, the sponsor should have direct knowledge of the transactions. We found that some accounts had been assigned to staff without

direct knowledge, resulting in reported delays in purchase approvals and diminished account review controls (see MCPS Financial Manual, pp. 20-2, 20-9).

We found yearbook contracts on file with two separate vendors for overlapping time periods. A contract with one printer, signed November 19, 2010, was for five years, FY 2012 – FY 2016. The yearbook for FY 2012 is being produced under this contract. A replacement contract was signed with the same company on September 21, 2011, for FY 2013 – FY 2015. However, a contract for FY 2012 – FY 2014, with a different printer, was signed September 15, 2011. We recommend only one contract for yearbooks with one vendor for any fiscal year, that any termination of a contract before its term be in writing, and that advance approval be received from the chief operating officer (COO) prior to commitment to any contract exceeding three years in duration (see MCPS Financial Manual, p. 20-6).

Summary of Recommendations

- Financial records must remain in the school;
- Any fees charged students must be spent on items consumed by those students;
- MCPS operating budget funds may not be used to purchase items for which students were charged a fee;
- Independent bank reconciliations must be performed in the manner proscribed in the MCPS Financial Manual;
- Monthly bank statements and reconciliations must be signed and dated by the principal to indicate review;
- Staff should be given clear purchasing guidance that conforms to the MCPS Financial Manual;
- Activity account sponsors should have direct knowledge of the transactions in their assigned accounts;
- An existing yearbook contract should be terminated in writing before a new one is signed; and
- Contracts for longer than of 36 months require COO approval.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Ms. Snider. 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. Smith. The Office of School Support and Improvement will follow up on this audit.

RWP:VAD:sd

Copy to:

Mr. Bowers

Dr. Lacey

Mr. Talley

Dr. Smith

Mrs. DeGraba

Mrs. Milwit


Mr. Doody

BRIGGS CHANEY MIDDLE SCHOOL
1901 Rainbow Drive
Silver Spring, MD 20905
301-989-6000

July 20, 2012

MEMORANDUM

To: Roger W. Pisha, Supervisor, Internal Audit

From: Dr. Tamitha Campbell, Principal 

Subject: Response to Report on Audit of Independent Activity Funds for the Period April 1, 2011, through March 31, 2012

As the new principal of Briggs Chaney Middle School as of July 1, 2012, I have reviewed the May 18, 2012 memorandum of the *Report on Audit of Independent Activity Funds for the period April 21, 2011 through March 31, 2012* conducted under the previous principal. In accordance with MCPS Regulation DIA-RA, Accounting for Financial Operations/Independent Activity Funds, I have provided the following response:

- I will ensure that all financial records remain on the school premises and are available during all working hours, to ensure compliance with MCPS Financial manual.
- I will ensure that the school complies with MCPS Board of Education Policy JNA, Curricular Expenses for Students by making certain that fees charged to students are spent on items consumed by those students.
- As recommended by the audit, a \$880.00 check will be submitted to MCPS to reimburse charging 01 Textbook funds
- The financial specialist and I will ensure that the cost of any item approved as a fee by OSSI and paid by students will not be charged to operating budget funds.
- I will establish a transparent process to ensure a monthly internal control processes exist. I will conduct a summer meeting (2012) with all involved parties to establish the process and to review roles and responsibilities:
 - Monthly reconciliation reports to the principal for review and signature by the 20th of each month.
 - Monthly bank statements will be delivered to the principal unopened for signature and review.

- A designated person (someone other than the financial specialist) will conduct an independent bank reconciliation and resolve any differences between the manual independent reconciliation and the computer generated reconciliation in EPES, prepared by the financial specialist.
- The principal and financial specialist will review MCPS Financial Manual and outline clear purchasing guidelines. I will review and revise last year's memos to staff regarding procurement and eliminate additional redundant requirement on staff, as recommended in the audit report. In addition, procedures will be outlined in staff memo/staff handbook/t-shared folder. We will train and convey the guidelines to staff members during pre-service training.
- All activity sponsors will be have direct knowledge of and sign for the transactions in their assigned accounts. They will review and sign the monthly account reconciliation reports for their accounts.
- The yearbook contracts for two separate vendors for overlapping time periods is under my review. I will terminate one of the existing contracts in writing. In the future, I will ensure that the termination of an existing contract in writing is completed prior to a new contract is signed.
- I will ensure that contracts longer than 36 months are approved by COO.

TFC:pj

Copy to:

Dr. Smith