

Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

October 9, 2013

MEMORANDUM

To: Dr. Tamitha E. Campbell, Principal
Briggs Chaney Middle School

From: Roger W. Pisha, Supervisor, Internal Audit *RWP*

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2012, through June 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 October 8, 2013, with you, and Mrs. Jan Snider, financial specialist, we reviewed the status of the conditions described in our prior audit report dated May 18, 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

Sponsors of school activities which involve the collection or disbursement of IAF are to be provided an account statement for each month in which transactions have been recorded in their accounts and be required to verify the accuracy thereof. Although these statements were being

provided, we found that some sponsors did not return them to the financial specialist. We recommend sponsors be required to review, resolve any discrepancies, sign, and return these statements to the financial specialist. A procedure should be established to ensure that all statements are reviewed and returned (see MCPS Financial Manual, p. 20-9).

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted to the financial specialist together with MCPS Form 280-34, *Remittance Slip*, on the day the funds are received. We found instances in which staff collecting funds were holding rather than remitting them timely to the financial specialist. We recommend that all staff who collect funds for school activities be reminded of remittance requirements (see MCPS Financial Manual p. 7-4).

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. In our review of disbursements, we noted a lack of evidence that prior approval was consistently obtained. 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 for your written approval at the beginning of the school year. These budgets must be monitored by your financial specialist and revised if necessary.

Fund-raising for a charitable organization is prohibited unless it has been approved by the principal and is advertised as such with full disclosure. Appropriately raised contributions should be disbursed to the designated charity as soon as possible after conclusion of the collection time period (see MCPS Financial Manual, p. 20-6). A fund-raiser on behalf of the Susan G. Komen Foundation lacked approval and clear advertisement, which resulted in a delay disbursing the funds raised. We recommend sponsors of charitable fund-raisers indicate the benefiting organization on the fund-raiser approval request form and in all advertisements.

Summary of Recommendations

- Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the financial specialist;
- Funds collected must be promptly remitted by sponsors to the financial specialist;
- Expenditure of funds must be approved by the principal prior to procurement; and
- Fund-raisers on behalf of charitable organizations need complete documentation.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Mrs. 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. Darryl L. Williams, associate superintendent of middle schools. The Office of School Support and Improvement will follow up on this audit.

RWP:VAD: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: Briggs Chaney Middle School, 2013-2014

Principal: Tamitha Campbell

Approved by community superintendent: *[Signature]*

Date of approval: 11/11/13

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Although monthly statements were provided, some sponsors did not verify and return account statements to the financial specialist.</p>	<p>Principal, Financial Specialist & Sponsor: For the collection and disbursement of IAF, the financial specialist will provide each sponsor a monthly transaction statements with a memorandum stating the expectation and due date for reviewing the statement for accuracy and returning it to the financial specialist. A list of those who miss the due date will be given to the principal for follow-up.</p>	<p>Monthly</p>	
<p>Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted to the financial specialist together with MCPS Form 280-34, on the day the funds are received.</p>	<p>Principal & Financial Secretary – Train sponsors and other authorized individuals to submit to Financial Specialist or back-up person (Ms. Jaeger) Remittance Slip (Form 280-34) and funds on the day funds are received.</p>	<p>Pre-service (August, 2013) Semester follow-up</p>	
<p>A lack of evidence that prior approval on Request for a Purchase is consistently obtained.</p>	<p>Expenditure of funds must be approved by the principal prior to procurement. Form 280-54 will be prepared by staff and signed by the principal at the time verbal approval is sought.</p>	<p>Ongoing</p>	
<p>Fund-raising for a charitable organization is prohibited unless it has been approved by the principal and is advertised as such with full disclosure.</p>	<p>Fund-raisers on behalf of charitable organizations will require complete documentation on fund-raiser request. All advertisements will indicated the benefiting organization.</p>	<p>Ongoing</p>	

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