


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

June 16, 2015

MEMORANDUM

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

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2013, through April 30, 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 June 9, 2015 with you, and Mrs. Jan Snider, financial specialist, we reviewed the status of the conditions described in our prior audit report dated October 9, 2013, 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

We found that the monthly bank reconciliation was not being completed by the 20th of the month following the close of each month, and at times was prepared by the financial specialist rather than a person independent of the financial records. The monthly bank reconciliation is a very

critical internal control procedure. We recommend assigning this responsibility to a staff member other than the financial specialist who is capable of completing the monthly process in a timely manner (see MCPS Financial Manual p. 20-9). We also noted that monthly reports were not being prepared and furnished to you for your review and signature by the 20th of the month, primarily due to the fact that the bank reconciliations were not being completed on time. We recommend compliance with monthly procedures found in MCPS Financial Manual, chapter 20.

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account history report for each month in which transactions have been recorded in their accounts or they have an account balance, and be required to verify that transactions have been correctly recorded. We again found some sponsors did not return these account history reports. We recommend a procedure be established to ensure that all of these sponsor reports are reviewed, any discrepancies resolved, and the signed reports returned to the financial specialist (see MCPS Financial Manual, p. 20-9).

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. 20-4). 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 sample of disbursements, we again found prior approval was not 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 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 some sponsors are submitting a fund-raiser request form for your approval to conduct an activity, most are not submitting a completion report at the conclusion of the activity so that results could be evaluated. A completion report for an activity involving the sale of items should include the total number of items for sale and cost of each, selling prices, and any remaining inventories to determine whether all sums 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:

- Monthly bank reconciliation must be performed by someone other than the financial specialist and completed by the 20th of the following month;
- Monthly financial reports must be furnished to the principal for review and signature by the 20th of the following month;

- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the financial specialist (repeat);
- Purchase requests must be approved by the principal prior to procurement (repeat); and
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*.

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:

Dr. Zuckerman
Dr. Statham
Dr. Navarro
Mr. Sanderson
Dr. Williams
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit

Fiscal Management Action Plan

School: Briggs Chaney Middle SchoolPrincipal: Tamitha CampbellApproved by associate superintendent: Dave D. MyersDate of approval: 8/31/15

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
"We found that the monthly bank reconciliation was not being completed by the 20 th of the month following the close of each month, and at times was prepared by the financial specialist rather than a person independent of the financial records."	The monthly bank reconciliation will be reassigned to main office secretary, Penelope Jaeger, to ensure 1) the completion of the monthly process in a timely manner, 2) monthly reports will be prepared and furnished for the principal's review and signature by the 20 th of the month, and 3) the preparation of this report is completed by a person independent of the financial records.	Monthly	Monthly reconciliations completed on/before the 20 th of each month by Ms. Penelope Jaeger with my signature.
"We again found some sponsors did not return these account history reports."	I will conduct a beginning-of-the-year (2015-2016) training for sponsors of school activities to review guidelines and expectations for the collection or disbursement of funds. The financial secretary will provide each sponsor an account history report for each month in which transactions have been record in their accounts or they have an account balance. Sponsors will verify that transactions have been correctly recorded and return the reports with their signatures to the financial secretary. The financial secretary will notify the principal or administrative designee in writing of any sponsor who does not return the account history report with signature. The principal/administrative designee will meet individually with the sponsor to complete the process and review expectations.	September Ongoing	Sponsors Meeting Agenda Principal's Memorandum to sponsors outlining expectations Signed Account History reports Written Memorandum or other appropriate corrective measures for sponsors who do not comply

MCPS Form 280-54 "In our sample of disbursements, we again found prior approval was not consistently obtained."	MCPS Form 280-54, <i>Request for a Purchase</i> , will be prepared by staff and signed by principal at the time verbal approval is sought. The purpose of each disbursement will be fully explained on this form.	Ongoing	Completed Request for Purchase forms
"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."	Select sponsors will be asked to prepare an annual budget detailing expected income and expenses. (Financial specialist will monitor and review the budgets quarterly.)	Sept.- Oct.	Submitted budgets for select sponsors
"Although some sponsors are submitting a fund-raiser request form for your approval to conduct an activity, most are not submitting a completion report at the conciliation for the activity so that results could be evaluation."	Staff interested in fundraising will adhere to the <i>Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser</i> . In addition to submitting a fund-raiser request form for principal approval, sponsors must also submit a completion report at the conclusion of the activity so that results can be evaluated.	Ongoing	Collection of Fund Raiser request forms and completion reports

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