


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

July 19, 2013

MEMORANDUM

To: Mr. James P. Koutsos, Principal
Clarksburg High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2012, through May 31, 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 July 15, 2013, with you, and Ms. Claudette Rosser, business administrator, we again commended you for no findings in our prior audit report dated May 17, 2012, and reviewed 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 six iPads purchased with IAF funds were not added to the school inventory as required. All equipment acquired by a school becomes the property of MCPS (see MCPS Financial Manual, p. 20-13). MCPS Regulation EDC-RA, *Control of Furniture and Equipment*

Inventory, provides guidance for adjusting the school inventory to account for property acquisitions and disposals. The application of property identification decals improves inventory control over equipment purchases. We recommend all purchases of equipment be coordinated with the MCPS Division of Procurement to assure compliance with approval and control processes (see MCPS Financial Manual, p. 20-4). In addition, whenever any MCPS property leaves the school building for an extended period of time, the appropriate administrator should complete MCPS Form 234-23, *Receipt and Bond Form for Equipment Loan* (see MCPS Financial Manual, p. 16-2).

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).

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We found that there was a lack of adherence to these guidelines. Many completion reports did not include the total number of items for sale, selling prices, or remaining inventories, thus it was not possible to determine whether all sums collected were remitted to the financial specialist. We noted the media center was selling snacks and soda during the school day without receiving approval. Following internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event.

The yearbook sponsor is required to keep detailed records of the number of books sold, the price charged as well as the number of books distributed free of charge (see MCPS Financial Manual, p. 20-11). The records kept by the yearbook sponsor did not enable us to reconcile the number of books purchased with the number sold, given free, and the remaining inventory. We were therefore unable to determine that all funds generated from this activity had been remitted. We recommend the yearbook sponsor be counseled and assisted with the record-keeping required for this activity.

Sales of PE uniforms should comply with the requirements outlined in the *Handbook for the Operation of School Stores*. We noted some weaknesses over the accounting process for the sale of uniforms resulting in the inability to reconcile funds collected from students with records of sales. To improve controls, we recommend documenting uniform sales on a spreadsheet that can be reconciled to records of account activity. In addition, inventory records should be adjusted for sales, purchases, giveaways, and garments that are damaged or obsolete. These records should be compared to a physical count of items performed at least annually. The inventory should be secured at all times to lessen the likelihood of a loss.

Summary of Recommendations

- Furniture and Equipment control must comply with MCPS Regulation EDC-RA;
- Funds collected must be promptly remitted by sponsors to the financial agent;
- Fund raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*;
- Food and beverage items available to students during school should comply with MCPS Regulation JPG-RA;
- Yearbook sponsor must keep adequate records for analysis of activity; and
- Physical Education uniform sale and inventory processes should comply with requirements outlined in the *Handbook for the Operation of School Stores*.

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. Christopher S. Garran, associate superintendent of high schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

Mr. Bowers
Dr. Statham
Dr. Schiavino-Narvaez
Mr. Sanderson
Dr. Garran
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

RECEIVED

AUG 07 2013

Attachment

Fiscal Management Action Plan

School: *CARESBURG HIGH SCHOOL*

Principal: *JAMES P. KORTSOS*

Approved by community superintendent: *[Signature]*

Date of approval: *8/7/13*

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
iPads not added to inventory	John Ricketts has been notified via email for barcodes and addition of the iPads to CHS inventory	July 26, 2013	Email Attached
Cash and checks collected in timely matter	Training will be provided to all staff during pre-service week Utilizing online payment option for parents via OSP. Training completed by Business Administrator and Financial Specialist. 4/2013	August Pre-Service Ongoing should be completed by August 26th	See attached pre-service week agenda
Fundraising	Training will be provided to all staff during pre-service week Media Center and PE cookie sales will no longer be approved for fundraising	August Pre-Service	See Attached pre-service week agenda
Yearbook	Finding co yearbook sponsor to support the business side of the yearbook	On-Going	
PE Uniforms	PE uniforms will no longer be sold by PE. Remaining inventory will be tracked and sold with proper accounting outlined in the Handbook for the Operation of School Stores.	Immediate	

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