MEMORANDUM

To: Ms. Casey B. Crouse, Principal
    Eastern Middle School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period
         March 1, 2013, through February 28, 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 March 24, 2015 with you, and Miss. Wendy Moten, financial specialist, we
reviewed the status of the conditions described in our prior audit report dated April 8, 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

In accordance with the MCPS Financial Manual, p. 20-4, the expenditure of general funds to
provide refreshments for staff meetings and staff appreciation is $60 per staff FTE per fiscal
year. Also, staff development accounts must be limited to funding sources that are clearly not
designated student funds. We found that you exceeded your amount allowed for staff refreshment and appreciation for fiscal years 2014 and 2015, and that you used student funds to support staff development. We found instances in which disbursements for these items were incorrectly classified and recorded in various accounts unrelated to the type of expenditures. This increased the time required to determine whether or not guidelines had been followed and decreased 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 issued in the April 16, 2012, memorandum by the chief operating officer.

The Handbook for the Operation of School Stores provides instruction and guidance for the operation of MCPS school stores. MCPS Form 281-25, Statement of Profit or Loss, which includes an analysis of results, should be prepared at the end of each school year. The sponsor completed Form 281-25 for FY 2013 reflecting a profit of $440,20. However, the sponsor did not prepare the form for FY 2014 and did not include the cost of several items on the inventory report. An analysis of FY 2014 documentation conducted by internal audit disclosed a loss of $1,484. Preparation of an accurate profit or loss statement is necessary to enable an analysis comparing actual to expected results and identifying any unexpected losses or profit shortfalls. We recommend Form 281-25 be completed in accordance with the Handbook for the Operation of School Stores. If actual results are not in line with those expected, the reason for any variance needs to be determined with an explanation reported to the principal.

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. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above. We noted a few field trips where fees collected exceeded the cost of the trips, or were not sufficient to fund the cost of trip. We recommend the pricing of trips be more closely monitored and any excess funds transferred to another activity or trip taken by the same students (see MCPS Financial Manual, p. 20-10).

Summary of Recommendations

- Staff appreciation and meeting refreshment expenditures must be correctly classified and recorded, and the combined total may not exceed $60 per FTE per fiscal year without prior approval of the COO;

- Staff development expenditures must be funded from non-student revenue sources;

- School store item sale and inventory processes should comply with the requirements outlined in the Handbook for the Operation of School Stores;
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; and

Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses.

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:** Eastern Middle School  
**Principal:** Casey B. Crouse  
**Approved by associate superintendent:** 
**Date of approval:** 5/5/15

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<th>Findings and Recommendations of School’s Financial Report</th>
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| Staff appreciation and meeting refreshment expenditures must be correctly classified and recorded. | Person Responsible: Wendy Moten  
Resolution: Purchase requests will be carefully reviewed to determine appropriate funding source and will be correctly classified | March 27, 2015 | Financial specialist met with principal to review available accounts and determine appropriate classification of expenditures. |
| The combined total of staff appreciation and meeting expenses cannot exceed $60 per FTE per fiscal year. | Person Responsible: Wendy Moten  
Resolution: The funds available for staff appreciation and meeting expenses will be carefully calculated. Expenses for staff appreciation and meetings will be monitored to ensure the combined total does not exceed the available funds. | March 27, 2015 | Financial specialist met with administrative assistant to determine eligible FTE used to calculate max expenditure. |
| Staff development expenditures must be funded from non-student revenue source. | Person Responsible: Wendy Moten  
Resolution: Purchases requests will be carefully reviewed and correctly classified to utilize on non-student revenue sources. | March 27, 2015 | Financial assistant and principal meet regularly to review the IAF accounts and requests for funding. |
| School store item sale and inventory process should comply with the requirements outlined in the Handbook for the Operation of School Stores. | Person Responsible: School Store Sponsor  
Person Responsible: Wendy Moten  
Resolution: Ms. Moten will work with the current school store sponsor to inventory and complete end of year reports. Ms. Moten will provide training to the school store sponsor prior to opening for business in the upcoming school year. | June 2015  
August 2015 | |
| Field trip records prepared by sponsors must provide comprehensive data to account for all student eligible to participate, and to reconcile funds collected with the cost of the trip. | Person Responsible: Wendy Moten Resolution: Expectations have been clearly communicated to field trip sponsors with support available. Ms. Moten has provided the required documentation and follow up report protocol to all field trip sponsors. Ms. Moten has followed up with field trip sponsors to gather the necessary documentation. | March 27, 2015 | Field trip documentation and reports for most trips have been reconciled. Ms. Moten is working with the two outstanding trips from the 2014-2015 school year. |
| Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses. | Person Responsible: Wendy Moten Resolution: Ms. Moten will review the field trip calculation prior to submission for principal approval. Ms. Moten will hold a training meeting for leadership members prior to any field trips for the upcoming school year. | March 27, 2015 | Field trip forms that do not demonstrate fees commensurate with trip expenses have been returned for revision. Out of date forms and field trip calculators have been removed. |

*Note: A copy of the approved plan is to be sent to the Internal Audit Office, URSC suite 3380*