MEMORANDUM

To: Mrs. Myriam A. Rogers, Principal
Francis Scott Key Middle School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2010, through June 30, 2012

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 September 10, 2012, with you, Mrs. Khanny Yang, principal intern, and Ms. Denise Eden, financial specialist, we reviewed the status of the conditions described in our prior audit report, and discussed further actions needed to strengthen the accountability for IAF resources. This audit report presents the findings and recommendations resulting from our examination of your IAF records and financial accounts for your school for the period designated above.

Findings and Recommendations

We previously reported finding multiple weaknesses in controls over disbursements. Our sample of disbursements again revealed controls over disbursements continue to need improvement.
All purchases must be approved in advance and in writing using MCPS Form 280-54, Request for a Purchase. After the purchase is completed, the purchaser should submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the financial specialist. A check may then be drawn and it must bear two signatures, one of which is that of the principal or acting principal. We again found instances in which controls over purchases were weakened, including lack of documentation or notation that goods or services were received, approval forms which were date-stamped rather than applied by hand at time of signature. Also during our review, we noted payment to a contractor which had not been reported to the MCPS controller as required, your purchase card log had not been approved by your community superintendent, and the purchase of gift cards for staff, which are prohibited.

We previously advised you that accountability for field trip fees collected by staff needed improvement, and again found that information provided to the financial specialist was not adequate to ensure all fees collected had been remitted. We recommend the use of a spreadsheet that contains the names of all potential participants which has been notated for the amount collected from each, and then reconciled with remittances recorded in the account established for each field trip (see MCPS Financial Manual, p. 20-9).

As previously reported, we again found that sums collected by sponsors were not promptly remitted to the financial specialist. In addition, funds were permitted to accumulate above the allowable limit, and source documentation was not retained when checks were received in the mail. We recommend that cash and all school funds be subject to controls specified in the MCPS Financial Manual, chapter 7.

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. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. Each fund raiser should be approved in writing by the principal with the approval retained in the school office. Financial activities for each fund raising activity should be recorded in a separate account in the 800 series and a completion report prepared that analyzes the results (see MCPS Financial Manual, p. 20-11).

Summary of Recommendations

- Expenditure of funds must be approved by the principal prior to procurement (repeat);
- Adequate documentation must be provided to support disbursements (repeat);
- Gift cards may not be purchased for staff members;
- Independent contractor payments must be reported monthly to the Division of Controller;
• Purchase card transactions of the principal must be reviewed and approved by the respective community superintendent;

• 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 (repeat);

• Funds collected by sponsors must be promptly remitted to the financial agent for timely deposit to the bank (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. Myra Smith, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:LS:sd

Copy to:
Mr. Bowers
Dr. Statham
Dr. Schiavino-Narvaez
Dr. Marks
Dr. Smith
Mrs. DeGraba
Mrs. Milwit
Mr. Doody
To: Roger W. Pisha, Supervisor Internal Audit

From: Myriam A. Rogers, Principal

RE: Report on Audit of IAF for the Period 10/1/10 – 6/30/12

I am in receipt of your audit report dated September 12, 2012 in reference to the aforementioned dates. On behalf of our school community, I would like to thank you for a thorough audit and a positive meeting on September 10, 2012, that included commendations and areas of opportunity. As a result of the areas of opportunity, the following upgrades have been implemented at Francis Scott Key Middle School. I truly thank you for sharing your expertise and suggesting upgrades that can only help to strengthen our practices.

<table>
<thead>
<tr>
<th>Finding</th>
<th>Resolution</th>
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<tr>
<td>Controls over disbursements need improvement. After the purchase is</td>
<td>The financial specialist has and will continue to send regular reminders to</td>
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<td>completed, the purchaser should annotate the receipt to indicate</td>
<td>teachers asking them to annotate receipts with a signature and date.</td>
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<td>satisfactory receipt of goods or services to the financial specialist.</td>
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<td>Approval forms for purchase 280-54 were date stamped rather than applied</td>
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<td>by hand at time of signature.</td>
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<tr>
<td>Field Trips—The information provided to the financial specialist was</td>
<td>In addition to a detailed sponsors packet that includes remittance forms</td>
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<td>not adequate to ensure all fees collected had been remitted.</td>
<td>collected from every staff member that sponsors field trips, we will collect</td>
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<td></td>
<td>an excel spreadsheet that details all potential student names and status.</td>
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<td>Sums collected by sponsors were not promptly remitted to the financial</td>
<td>All sponsors have been reminded of the expectation. Staff members who do</td>
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<td>specialist. Source documentation was not retained when checks were</td>
<td>not meet this expectation will have it documented and be relieved of their</td>
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<td>received in the mail.</td>
<td>sponsor duties if a pattern of behavior is found to exist.</td>
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<tr>
<td>Each fundraiser must be approved in writing by the principal with the</td>
<td>The financial specialist keeps all source documentation from check</td>
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<tr>
<td>approval retained in the school office. Financial activities should be</td>
<td>donations. The upgrade will be to keep all of the source documentation</td>
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<td>accounted in the 800 series and include a completion report prepared</td>
<td>in one file to provide to the auditors on future visits.</td>
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<td>that analyzes the results.</td>
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With the exception of the annotation of receipts by sponsors, the findings listed above were not present in the January 2011 audit. Per the expectations of MCPS and the guidelines indicated in the MCPS Financial Manual, we will continue to make improvements.