


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

May 17, 2018

MEMORANDUM

To: Ms. Panagiota K. Tsonis, Principal
Newport Mill Middle School

From: Roger W. Pisha, Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period
August 1, 2016, through March 31, 2018

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. School principals are the fiduciary agents for the IAFs and are charged with determining the manner in which funds are raised and expended for activities such as field trips, admission events, and fund-raisers. They are responsible for ensuring that the IAFs are administered in accordance with MCPS policies, regulations, and procedures.

The 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 the 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.

At our May 10, 2018, meeting with you, and Mrs. Martha L. Ballon, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated August 25, 2016, 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

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (refer to *MCPS Financial Manual*, chapter 20, page 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 the IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, we found that prior approval was not consistently obtained when required, and invoices were not always signed by the receiver. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAFs. We recommend that MCPS Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and that purchasers sign invoices to indicate satisfactory receipt of goods or services.

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 (refer to *MCPS Financial Manual*, chapter 20, page 13). In addition, the sponsor must prepare a statement of profit or loss to reconcile books purchased with books distributed. We found that records were not kept to account for all books and no reconciliation of profit and loss was prepared at end of year. Our analysis further disclosed that a number of books were surplus with no attempt made to return extra copies for credit to offset the overall loss. We recommend that the yearbook sponsor be counseled and assisted with the record-keeping required for this activity as well as negotiate with the publisher to accept returns or offer credit for unsold extra copies of yearbooks.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Student Organization Trips*. Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, date paid, eligible students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. A list of all chaperones and volunteers also should be provided. This data should be provided to the school financial specialist at the completion of each trip, and compared to remittances recorded in the trip account history report. We found that complete data was not being provided to compare to the final account history report nor used for planning future trips. We recommend that sponsors be required to use MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and follow the procedures outlined above. We further recommend that field trip planning be reviewed to ensure established fees are commensurate with trip expenses (refer to *MCPS Financial Manual*, chapter 20, page 10).

Admission receipts for school events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. These events must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and perpetual inventory of tickets. We found that drama activity was not controlled through ticketed sales. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events to ensure the use of serially numbered tickets issued by the ticket controller, and the use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and a perpetual inventory of tickets is maintained.

Sales of physical education 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 and records of funds collected from students that precluded the reconciliation of this activity. To improve controls, we recommend tracking of 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 for garments that are damaged or obsolete. The inventory record should be compared to a physical count which should be performed at least annually. The inventory should be secured at all times to lessen the likelihood of a loss.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Yearbook sponsor records must account for the number of books purchased, sold, distributed at no cost, ending inventory, and profit or loss statement.
- Field trip sponsors must use MCPS Form 280-41 or equivalent, and ensure established fees are commensurate with trip expenses.
- School admission events must be controlled with serially numbered tickets to track and reconcile sales.
- Physical education uniform sale and inventory processes should comply with the requirements outlined in the *Handbook for the Operation of School Stores* (**repeat**).

Other matters were discussed and satisfactorily resolved. We appreciate the cooperation and assistance of your staff. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, using the attached form, please provide a written response to the Internal Audit Unit within 30 calendar days of this report. In your response, please share a detailed plan for addressing these issues, including appropriate staff training and support.

Prior to returning your completed audit action plan, please contact Mrs. Diane D. Morris, director of school support and improvement of middle schools. Based on the audit recommendations, Mrs. Morris will indicate whether she will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school financial agent to support you with developing a well-defined plan to address the findings.

RWP:BK:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Dr. Williams

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mrs. Morris

Mr. Tallur

Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY17-18	Fiscal Year: FY17-18
School: Newport Mill MS - 792	Principal: Ms. Penny Tsonis
OSSI Associate Superintendent: Dr. Darryl Williams	OSSI Director: Mrs. Diane Morris

Strategic Improvement Focus:
 As noted in the financial audit for the period 8/1/16-3/31/18, strategic improvements are required in the following business processes :

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchase requests must be approved by the principal prior to procurement	Sponsor Financial Spec. Principal		Present at leadership team and department meetings to review procedures and expectations.	Financial Specialist Ongoing	Financial specialist will ensure that sponsors submit the form on time and is approved prior to procurement.
Purchaser must confirm receipt of goods or services prior to disbursement	Sponsor Financial Spec. Principal		Present at department/ leadership meetings to remind staff of procedures when receiving items purchased	Financial Specialist Ongoing	Financial Specialist will ensure that sponsors confirm items have been received.
Yearbook sponsor records must account for the number of books purchased, sold, distributed at no cost, ending inventory, and profit or loss statement	Sponsor Financial Spec. Principal		Use spreadsheet to accurately record sales Profit/loss statement. Meet with sponsor to review expectations.	Financial Specialist Principal Ongoing	A meeting has already been held emphasizing the importance of good record-keeping. Sponsor will ensure all guidelines are followed.
Field trip sponsors must use MCPS form 280-41 or equivalent, and ensure established fees are commensurate with trip expenses	Sponsors Financial Spec. Principal			Financial Specialist Ongoing	Financial specialist will ensure form is used and all fees are commensurate with trip expenses

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
School admission events must be controlled with serially numbered tickets to track and reconcile sales	Sponsor Financial Spec. Principal			Financial Specialist Ongoing	Financial Specialist will provide tickets to school events to be able to track and reconcile sales
Physical education uniform sale and inventory processes should comply with the requirements outlined in the Handbook for the Operation of School Stores	PE teachers Financial Spec. Principal		Review expectations with staff. Use spreadsheet to accurately record all sales; request inventory every three months.	Financial Specialist Principal Ongoing	Financial Specialist and principal will randomly do an inventory to ensure uniform inventory is accurate

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL

Approved Please revise and resubmit plan by _____

Comments: .

Director: Diann Morris Date: 5/24/18