


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

September 19, 2014

MEMORANDUM

To: Ms. E. Lancellotti Dempsey, Principal  
Northwest High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
April 1, 2013, through August 31, 2014

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 18, 2014 with you, Mr. John Robertson, assistant principal, Mrs. Lori Knight, business administrator, and Ms. Kathy McCauley, financial specialist, we reviewed the status of the conditions described in our prior audit report dated August 1, 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

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. 20-5). 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. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, we again found that prior approval was not consistently obtained, disbursements did not always have adequate documentation to fully explain the reason for the expenditure, and invoices were not always signed by the receiver. By requiring prior approval and complete documentation, 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 most sponsors are submitting fund-raiser request and completion reports, and all reports are signed by the business administrator and you, many forms were not properly completed so that results could be evaluated. We again found that 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. When there was remaining inventories, an inventory report was not prepared and kept on file. 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.

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. This data should be provided to the financial specialist at the completion of each trip, and compared to remittances recorded in the trip account history report. The data also should be used to estimate future trips. We found that not all sponsors are providing completed data at the conclusion of each trip, and that data is not being compared to the final account history report nor used for planning future trips. We also found instances in which fees collected were not sufficient to pay all expenses for the trip. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip. We further recommend trip planning be reviewed to ensure established fees are commensurate with trip expenses (see MCPS Financial Manual, p. 20-9).

#### Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (repeat);
- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results (repeat); and



- 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.

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 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. Navarro  
Dr. Statham  
Mr. Sanderson  
Dr. Garran  
Mrs. DeGraba  
Mrs. Milwit  
Mrs. Chen

Fiscal Management Action Plan

School: Northwest High School

Principal: Lance Dempsey

Approved by community superintendent:  Date of approval: 10/17/17

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline and ongoing	Evidence of Completion
Expenditure of funds must be approved by the principal prior to procurement and adequate documentation to accompany request	Business Office has reminded staff that all purchases must be pre-approved or they are responsible for payment. All orders fulfilled will be verified by recipient that merchandise was received in full on invoice/packing slip and attached to original check request.	Immediate and ongoing	
Fundraiser completion reports prepared by sponsors must provide sufficient information to analyze results	Ms. McCauley is meeting with each sponsor individually as fundraisers are approved. Ms. Knight has a fundraiser control sheet provided by audit that she will give to sponsors when filling out the completion reports with remaining inventory. The Business Office will focus on analyzing reports more carefully in order to determine that all proceeds were turned in.	Immediate and ongoing	
Field trips did not contain final field trip accounting spreadsheet and trips were not being reconciled to accounts	Ms. McCauley has created a check-off sheet to ensure all paperwork, including the final class roster, is obtained and attached to the field trip packet. Trips will be closed out immediately after sub/bus payments are made.	Immediate and ongoing	

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