MEMORANDUM

To: Dr. Myriam A. Yarbrough, Principal
   Paint Branch High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
         February 1, 2016, through April 30, 2017

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 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 June 26, 2017, meeting with you; Mrs. Sandra P. Mantua, school business administrator; and Mrs. Dawn R. Ford, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated June 6, 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

Except for specifically excluded items, the anticipated aggregate procurement for a similar service requiring disbursement of $7,500 or more within a fiscal year requires the prior written authorization of the chief operating officer. We found that the school had disbursed funds in excess of the limit on Advancement Via Independent Determination (AVID) program expenses without
the required approval for these non-excluded items. We recommend the use of MCPS Form 281-53, Restricted Independent Activity Fund (IAF) Purchases Request for the Chief Operating Officer’s Approval, to assure approvals, controls, and adequate funding for it are achieved (refer to MCPS Financial Manual, chapter 20, page 5).

Disbursements for staff development are to be expended from the staff development account and the source of the funds may not be student generated (refer to MCPS Financial Manual, chapter 20, page 10). We found that a conference registration and membership fee related to AVID were expended from a department account, which caused the use of student funds for staff development. We recommend proper accounting for staff development disbursements and adherence to the MCPS requirement for the source of funds to support staff development.

Prompt remittance to the school financial specialist of cash and checks collected by sponsors and others for IAF activities minimizes the risk of loss or theft (refer to MCPS Financial Manual, chapter 7, page 4). We noted that some sponsors held fees collected rather than remitting them to the financial specialist on the day they were received. We recommend that staff be encouraged to remit all cash and checks collected for IAF activities to the school financial specialist for prompt deposit in accordance with MCPS policy and procedures. The installation and use of a drop safe may assist with this effort.

MCPS Regulation DMB-RA, Control of Admission Receipts, provides procedures for the accounting for sales of admission tickets. We found that the homecoming tickets were ordered and sent directly to the sponsor, and additional tickets were printed by the school and not controlled by the school business administrator. This effectively eliminated the vital internal control that requires all tickets to be distributed by a ticket controller who is independent of the event sponsor. We recommend that admission to all events be controlled in accordance with the above-cited regulation.

Summary of Recommendations

- Purchases of $7,500 or more, with certain exceptions, must have chief operating officer’s approval.
- Accounting for disbursements must conform to the IAF chart of accounts and staff development expenditures must be funded from non-student revenue sources.
- Cash and checks collected by sponsors must be promptly remitted to the school financial specialist (repeat).
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

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, please provide a response to the Internal Audit Unit within 30 calendar days of this report through Mr. Brian W. Scriven, director of school support and improvement of high schools. In your response, please share a detailed plan for addressing these
issues, including appropriate staff training and support. The Office of School Support and Improvement will follow up on this audit.

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
Mr. Scriven
Mr. Tallur
Mr. Ikheleo
July 20, 2017

To: Roger W. Pisha, Supervisor Internal Audit

From: Myriam A. Yarbrough, Principal

RE: Report on Audit of IAF for the Period 2/1/16 - 4/30/17

I am in receipt of your audit report 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 June 26, 2017, that included commendations and areas of opportunity. As a result of the findings, the following upgrades have been implemented at Paint Branch High 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>Cash and checks collected by sponsors and others for IAF activities</td>
<td>A drop box has been ordered for installation in the main office work room to provide staff with unlimited access to deposit money in a secure location. The financial office continues to remind all staff of the policy and expectations to remit funds on a daily basis in writing and through the mandatory &quot;Business Matters&quot; training.</td>
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<td>should be remitted promptly to the financial specialist.</td>
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<td>Admissions tickets should be ordered by and delivered to the business</td>
<td>Staff will be reminded in mandatory training that the only person who can order event tickets is the business administrator. In the event that a sponsor orders tickets in the future, they will not be used for events. All MCPS controlled tickets will be used for school events and staff will be reminded to submit accurate corresponding ticket reports with deposits</td>
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<td>administrator and if additional tickets are required for an event.</td>
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<tr>
<td>MCPS event tickets should be used while ensuring daily ticker reports</td>
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<td>are accurate.</td>
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<td>Any procurement requiring the disbursement of $7,500 or more requires</td>
<td>While in accordance with the policy, no single expenditure requiring a disbursement of $7,500 or more was not approved by the Chief Operating Officer during the audit period, procedures will be upgraded to provide budgets to the COO for approval when aggregate annual expenses will total or exceed identified amount. The business office will request prior written approval for any procurement requiring the disbursement of $7,500 or more to the Chief Operating Office.</td>
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<td>the prior written authorization of the Chief Operating Officer.</td>
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<td>Disbursements of staff development funds for AVID need to be recorded</td>
<td>AVID conference expenditures provided specific curriculum and materials for student instruction in the classroom. AVID was unable to provide a breakdown of fees so the business office made appropriate corrections in accordance with MCPS policy and will use the same accounts in the future.</td>
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<td>in the staff development account to prevent transfer of student funds</td>
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<td>to exceed related expenses.</td>
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Per the expectations of MCPS and the guidelines indicated in the MCPS Financial Manual, we will continue to make improvements.

[Handwritten Signature]

8-23-17