MEMORANDUM

To: Dr. Benjamin T. OuYang, Principal
   Parkland Middle School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period
         March 1, 2012, through November 30, 2013

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 April 4, 2014, with you, Dr. Darryl L. Williams, associate superintendent of
middle schools, and Mrs. Mary Fagan, financial specialist, we reviewed the status of the
conditions described in our prior audit report dated May 17, 2012, and the status of present
conditions. We noted the progress made to improve conditions described in our previous report,
such as accounting transactions recorded in a timely manner, monthly sponsor reports issued and
returned promptly, the performance of an independent bank reconciliation, and the reconciliation
of field trip fees. 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 order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly and intact to the financial specialist together with MCPS Form 280-34, Independent Activity Fund (IAF) Remittance Slip. We found that some sponsors were holding funds collected rather than remitting them to the financial specialist on a daily basis. Also, some expenses were paid out of collected cash rather than funds being remitted intact and a separate reimbursement issued. To improve controls, we recommend close adherence to the procedures in the MCPS Financial Manual, pp. 7-3, 7-4.

Admission receipts for athletic and non-athletic events should be controlled according to MCPS Regulation DMB-RA, Control of Admission Receipts. We found that MCPS Form 280-50, Tickets and Cash Report of Admissions Manager, was not used for all events, was sometimes used merely to list tickets sold and not as a reconciliation of tickets issued to tickets returned and recorded receipts, and was not always signed to indicate a separation of duties. Other weaknesses included the failure to return used tickets from an event and the use of the same color ticket for different performances of the same event. We recommend that admission to all events be controlled in accordance with the above cited regulation.

Disbursement of IAF must be controlled in a number of ways. All purchases must be approved in advance and in writing using MCPS Form 280-54, Independent Activity Funds 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. We found instances in which documentation was missing or not adequate to assure the school benefited from the purchase. Invoices were not always signed by the receiver. Some checks had not been signed by an administrator. Action is needed to correct these conditions and bring purchasing into conformity with MCPS requirements (see MCPS Financial Manual, p. 20-5).

Fund-raising at the school must conform to the Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser. Fund-raiser requests were not on file, some fund-raisers were not recorded in a separate account, and completion reports were not always prepared. Most available 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. 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.

Summary of Recommendations

- Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the financial specialist;
• Admission events must be conducted in accordance with MCPS Regulation DMB-RA;

• Adequate documentation must be provided to support disbursements;

• Purchase documents must be annotated to indicate satisfactory receipt of goods or services;

• Checks will bear two signatures, one of which must be that of the principal; 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, especially Mrs. Fagan. 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:VAD:sd

Copy to:
Mr. Bowers
Dr. Statham
Dr. Schiavino-Narvaez
Mr. Sanderson
Dr. Williams
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen
## Fiscal Management Action Plan

**School:** Parkland Magnet Middle School  
**Principal:** Benjamin T. OuYang  
**Date of approval:** 4/30/14  
**Approved by associate superintendent:** [Signature]

<table>
<thead>
<tr>
<th>Findings and Recommendations of School’s Financial Report</th>
<th>Description of Resolution And Person(s) Responsible</th>
<th>Timeline</th>
<th>Evidence of Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the financial specialist</td>
<td>Procedures written and review with auditor approval, Ms. Wan will collect field trip fee at lunch time and remit to SFS before the end of the day</td>
<td>In place</td>
<td>Logs of team leader, Ms. Wan and SFS will be on file. In addition, logs of bank statements will show frequent deposits</td>
</tr>
<tr>
<td>Admission events must be conducted in accordance with MCPS Regulation DMB-RA</td>
<td>SFS will provide to the sponsor a copy of MCPS Regulation DMB-RA</td>
<td>On-going</td>
<td>Ticked issued and tickets returned will match funds collected</td>
</tr>
<tr>
<td>Adequate documentation must be provided to support disbursements</td>
<td>SFS will review with principal reimbursement requests where staff/parent have lost original documents, staff/parents will not be guaranteed reimbursement</td>
<td>Begin May 2014</td>
<td>Any lost documents (receipts) will forfeit guaranteed reimbursement. Principal will approve case by case basis.</td>
</tr>
<tr>
<td>Purchase documents must be annotated to indicate satisfactory receipt of goods or services</td>
<td>SFS will return invoice to sponsor for initial and date that items were received in good condition before payment is made</td>
<td>Begin May 2014</td>
<td>Sponsors will initial and date items received before payments will be made</td>
</tr>
<tr>
<td>Checks will bear two signatures, one of which must be that of the principal</td>
<td>Principal will add additional administration to the Bank signature card</td>
<td></td>
<td>Dr. Alana Murray, one of the AP’s will be assigned to sign checks.</td>
</tr>
<tr>
<td>Fund-raising must conform to Guidelines for Sponsoring an IAF Fund-Raiser</td>
<td>SFS will provide to the sponsor a copy of Guidelines for Sponsoring an IAF Fund-Raiser</td>
<td>On-going</td>
<td>Checklists of processes to fundraise will be on file and given to sponsor.</td>
</tr>
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