

Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

April 10, 2014

MEMORANDUM

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

From: Roger W. Pisha, Supervisor, Internal Audit *mpisha*

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

Approved by associate superintendent: Ray L. Wini Date of approval: 4/30/14

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