


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

June 29, 2015

MEMORANDUM

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

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2013, through May 31, 2015

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 June 26, 2015, with you and Mrs. Mary Fagan, financial specialist, we reviewed the status of the conditions described in our prior audit report dated April 10, 2014, 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. 20-4). The purpose of each disbursement must be fully explained on this form in order to properly record expenditures in

appropriate accounts, and to ensure compliance with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, we found prior approval was not consistently obtained when required, and again that invoices were not always signed by the receiver to indicate satisfactory receipt. By requiring prior approval the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by you 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.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the financial specialist with a remittance slip on the same day they are received to minimize the risk of loss or theft. The funds should be verified in the presence of the remitter, and a receipt should be issued promptly. In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and either place the sealed envelope in the business office safe or receive written acknowledgement that it was provided to the financial specialist. Verification of these funds will be conducted in the presence of the remitter as soon as possible thereafter. We again found that some sponsors were holding funds collected rather than remitting them to the financial specialist on a daily basis. Also, there was no process for securing funds when the financial specialist was unable to verify them. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual, pp. 7-3, 7-4.

The *Handbook for the Operation of School Stores* provides instruction and guidance for the operation of MCPS school stores. MCPS Form 281-25, *Statement of Profit or Loss*, which includes an analysis of results, should be prepared at the end of each school year. For FY 2014, we found Form 281-25 was completed incorrectly for sale of school store items. Preparation of an accurate statement is necessary to enable an analysis comparing actual to expected results and identifying any unexpected losses or profit shortfalls. We recommend Form 281-25 be completed accurately in accordance with the *Handbook for the Operation of School Stores*. If actual results are not in line with those expected, the reason for any variance needs to be determined with an explanation reported to the principal.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement;
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made (repeat);
- Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the financial specialist (repeat); and

- School store item sale and inventory processes should comply with the requirements outlined in the *Handbook for the Operation of School Stores*.

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. Darryl L. Williams, associate superintendent of middle schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

Dr. Zuckerman
Dr. Statham
Dr. Navarro
Mr. Sanderson
Dr. Williams
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit

Fiscal Management Action Plan

School: Parkland Magnet Middle School

Principal: 

Approved by associate superintendent: _____

Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Purchase requests must be approved by the principal prior to procurement	Staff will have a completed 280-54 prior to principal approval. Budget for Drama productions will have more detail.	On-going	Review with staff: Pre-service week, T-Share financial manual, monthly reminder letter to sponsor. Completed 280-54 forms from staff
Purchase invoices and receipts must be annotated as paid to indicate disbursement was made	Sponsors will be required to sign invoices received in satisfactory condition before disbursement.	On-going	Review with staff: Pre-service week, T-Share financial manual, monthly reminder letter to sponsor. Signed invoices by staff.
Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the financial specialist	Safe Box will be installed in SFS office door for sponsor funds to be held until verification and remittance can be completed.	July 2015	Purchase and installation of Door Safe Box
School Store item sale and inventory processes should comply with the requirements outlined in the Handbook for the Operation of the School Stores	SFS and School Store sponsor will review MCPS Handbook for the Operation of School Store and the 281-25 Statement of Profit or Loss form.	2015/2016 School Year	Completed 281-25, SFS will review the MCPS Handbook for The Operation of School Store with the sponsor. SFS will meet with school store sponsor once a quarter to review Inventory and Profit/Loss forms.

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