MEMORANDUM

To: Miss Deena Levine, Principal
    Poolesville High School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period
        January 1, 2011, through March 31, 2012

This audit report presents the results of our examination of the financial records, reports, and internal accounting controls relating to the Independent Activity Funds (IAF) for your school for the period designated above. The examination was made to evaluate the adequacy of accountability over these funds, compliance with applicable Montgomery County Public Schools (MCPS) policies and procedures, and effectiveness of IAF management.

In our meeting on May 11, 2012, with you, Ms. Susan L. Krouner, school business administrator, and Ms. Noor Sheriff, school financial specialist, we reviewed conditions described in our previous report dated March 17, 2011, and the status of present conditions. Our findings and recommendations appear below.

Findings and Recommendations

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the financial specialist. Remittances received should be promptly deposited into the school’s bank account. The maximum amount of remittances that may remain on school premises depends on whether they are secured in a combination safe or locked cabinet. Remittances that cannot be counted immediately must be sealed in an envelope in such a manner that tampering will be evident. Funds must be secured and counted as soon as possible in the presence of the remitter. We found that some staff collecting money were holding the funds rather than remitting them timely to the financial specialist. Staff also remitted funds to the school business administrator when the financial specialist was not available that were neither sealed in an envelope to prevent tampering nor secured in the safe until the financial specialist returned. Large and infrequent deposits increase the possibility of loss of funds as well as decrease the school’s ability to fund activities. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, we recommend that staff follow the procedures in the MCPS Financial Manual, p. 7-4.
Athletic programs must comply with MCPS regulations to ensure that all goods and services are secured with school funds and properly recorded as program expenditures. Athletic booster clubs may not make direct payments for purchases, and athletic booster club donations must be presented to the principal (or designee), for deposit to the school’s checking account (see MCPS High School Athletics Handbook). In addition, with certain exceptions, any disbursement of more than $7,500 or any contract with an anticipated aggregate expenditure of more than $7,500 requires the prior written authorization of the chief operating officer (COO). We noted that the athletic booster club initiated the purchase of a $14,900 previously-owned tractor for the school and made a payment of $8,400 directly to the vendor, rather than donating the funds to the school to make the purchase. The school was then invoiced for the balance of $6,500 and a school check was issued. By circumventing MCPS purchasing procedures, the school failed to obtain competitive price quotes and did not obtain the required signature of the COO.

Equipment purchased with IAF become the property of MCPS and are subject to MCPS Regulation EDC-RA, Control of Furniture and Equipment Inventory. We noted that in addition to the tractor noted above, other equipment purchased by the school had not been added to the MCPS inventory and affixed with barcodes. We recommend that staff review the policy to ensure that equipment is properly coded and the inventory adjusted, and that all purchases of equipment be coordinated with MCPS Department of Materials Management to assure approvals and controls are achieved (see MCPS Finance Manual, p. 16-2).

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. Donna S. Hollingshead, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:DKH:sd

Copy to:
Mr. Bowers
Dr. Lacey
Mr. Talley
Dr. Hollingshead
Mrs. DeGraba
Mrs. Milwit
Mr. Doody
# Fiscal Management Action Plan

**July 25, 2012**

**School:** Poolesville High School

**Principal:** Deena Levine

**Approved By Community Superintendent:**

<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>
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</thead>
<tbody>
<tr>
<td>1. Found that some staff collecting money were holding the funds rather than remitting them timely to the Financial Specialist.</td>
<td>We will continue to send periodic email reminders to staff/AD regarding the proper handling and depositing of money in accordance with the MCPS Financial Manual. <strong>Person(s) Responsible:</strong> Business Administrator, Financial Specialist</td>
<td>ASAP, during pre-service week On-going, as necessary</td>
<td>Emails to staff, MCPS Form 280-34, MCPS Form 280-50, and PHS Deposit Tally Sheets</td>
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<td>Staff also remitted funds to the School Business Administrator when the Financial Specialist was not available that were neither sealed in an envelope to prevent tampering nor secured in the safe until the Financial Specialist returned.</td>
<td>When staff remit funds to the School Business Administrator due to the Financial Specialist’s absence, all monies are locked and secured. All remitted funds will now be sealed in an envelope with an accompanying form indicating name of sponsor, date, time, and with sponsor and School Business Administrator signature lines. The School Business Administrator will continue to lock and secure any remitted monies. <strong>Person(s) Responsible:</strong> school staff, Business Administrator, Financial Specialist</td>
<td>On-going, as necessary</td>
<td>Newly created remittance form.</td>
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<tr>
<td>2. Noted that the athletic booster club initiated the purchase of a $14,900 previously-owned tractor for the school and made a payment of $8,400 directly to the vendor, rather than donating the funds to the school to make the purchase. The school was then invoiced for the balance of $6500 and a school</td>
<td>AD and Booster Club President were reminded that all donations from the Booster Club must be deposited into a designated IAF account so that the school can purchase all athletic items/equipment. <strong>Person(s) Responsible:</strong> Athletic Director, Booster</td>
<td>Completed</td>
<td>Deposits into designated Booster Club IAF account</td>
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<td>Club President, School Business Administrator, Financial Specialist</td>
<td>The School Business Administrator and Athletic Director are gathering information on items to be included in the MCPS inventory. Once complete, all required paperwork will be forwarded to designated MCPS personnel for inclusion in the school's inventory.</td>
<td>ASAP, on-going, as necessary</td>
<td>MCPS Form 234-18</td>
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<td>3. Noted that in addition to the tractor noted above, other equipment purchased by the school had not been added to the MCPS inventory and affixed with barcodes.</td>
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