

Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

November 29, 2012

MEMORANDUM

To: Mrs. Carole A. Working, Principal
Quince Orchard High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2011, through September 30, 2012

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 November 20, 2012, with you, Mrs. Judith Yu, business administrator, and Mrs. Susan Yee, financial specialist, we reviewed the status of the conditions described in our prior audit report dated September 20, 2011, and discussed further actions needed to strengthen the accountability for IAF resources. 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. 20-5). The purpose of each

disbursement must be fully explained on this form in order to properly record expenditures in appropriate accounts and to ensure that expenditures comply with IAF requirements. In our sample of disbursements, prior approval was not consistently obtained. 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 the principal 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.

All equipment acquired by a school whether by gift or by purchase becomes the property of MCPS (see MCPS Financial Manual, p. 20-13). MCPS Regulation EDC-RA, *Control of Furniture and Equipment Inventory*, provides guidance for adjusting the school inventory to account for property acquisitions and disposals. We found several items of equipment were acquired using IAF that were not added to the school inventory as required. We recommend appropriate staff become familiar and comply with property control procedures.

In accordance with the MCPS *Purchasing Card Users Guide*, transactions greater than pre-established dollar limits are not allowed. We noted several purchases were either split to circumvent transaction limits or approval to exceed limits was not requested. If card member transaction or monthly limits need to be changed, a completed MCPS Form 234-20, *Purchasing Card File Maintenance Worksheet*, should be submitted to the division of controller for approval. We recommend getting temporary approval for limit increases instead of splitting transactions.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted to the financial specialist together with MCPS Form 280-34, *Remittance Slip*, on the day the funds are received. We found instances in which staff collecting funds for transcripts were holding funds rather than remitting them timely to the financial specialist. We recommend that all staff who collect funds for school activities be reminded of remittance requirements (see MCPS Financial Manual p. 7-4).

Summary of Recommendations

- Expenditure of funds must be approved by the principal prior to procurement (repeat);
- Furniture and Equipment control must comply with MCPS Regulation EDC-RA (repeat);
- Purchase card activity must be in compliance with the MCPS *Purchasing Card User's Guide*; and
- Funds collected by school staff must be promptly remitted to the financial specialist.

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. LaVerne G. Kimball, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

Mr. Bowers

Dr. Statham

Dr. Schiavino-Narvaez

Dr. Marks

Dr. Kimball

Mrs. DeGraba

Mrs. Milwit

Mrs. Chen

Fiscal Management Action Plan

School: Quince Orchard High School
 Approved by community superintendent: _____

Principal: Mrs. Working
 Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Expenditure of funds must be approved by the principal prior to procurement.	Mrs. Yu, business administrator, and Mrs. Yee, financial specialist, continue to work with staff to acquire approval prior to making an expenditure. A presentation is held at the beginning of school, forms are kept electronically in T:/shared and in the business office. One on one meetings are held as needed.	Ongoing	Mrs. Yee, financial specialist, holds a presentation on the IAF rules and regulations yearly with staff and has included a questionnaire to further answer questions. We also meets one on one as needed and works with staff to assist with budgets.
Furniture and Equipment control must comply with MCPS Regulations EDS-RA.	Mrs. Yu is working with staff to complete forms with the required information to add the inventory purchased during FY '12 using the school IAF.	Completed	MCPS form 234-18 has been completed for the two carts and two cameras purchased but not added to the inventory list.
Purchase card activity must be in compliance with the MCPS Purchasing Card User's Guide.	Mrs. Yu will remind staff of the importance in complying with MCPS Purchasing Card User's Guide.	Completed	An e-mail has been sent to all MCPS purchase card holder which includes the updated MCPS Purchasing Card User's Guide. Upon the start of the new business administrator (7/2012) we have been complying with the purchase card rules.
Funds collected by school staff must be promptly remitted to the financial specialist.	With the assistance from the auditors this has been corrected. Funds are being submitted to the financial specialist on a regular basis.	Completed	The auditors spoke with the staff that weren't remitting timely. In addition Mrs. Yu and Mrs. Yee have communicated with the staff in question and the issue has been resolved.