


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

April 12, 2013

MEMORANDUM

To: Mr. Robert Sinclair, Jr., Principal
Redland Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2011, through November 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 April 8, 2013, with you and Mrs. Barbara Dorsey, financial specialist, we reviewed the status of the conditions described in our prior audit report dated June 30, 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

While we commended you for progress made, such as improved monitoring of the checking account balance and staff compliance with the purchase approval process, some conditions continue to need improvement. MCPS Regulation DMB-RA, *Control of Admission Receipts*,

provides procedures for the accounting for sales of admission tickets. We again found that admissions were not always properly controlled. The files did not evidence that ticket control reports were initially created before an event's ticket sales began. The cash return section was not always completed, and reports were not cross-referenced to a receipt. Only one report was created for events, instead of separate reports each time tickets were sold. Concession receipts were comingled with those from ticket sales. Ticket color was not always indicated on the reports, and a perpetual inventory was not maintained. We recommend that admission to all events be controlled in accordance with the above cited regulation.

In order to properly control receipt of funds, cash and checks collected by sponsors for IAF activities should be remitted promptly and intact to the financial specialist together with a remittance slip. The funds should be counted in the presence of the remitter who should then promptly be provided a sequentially numbered receipt. Receipts must include the original source of funds and the reason for the collection when supported with the remittance slip. After a receipt has been written, it should not be altered. Any misprinted receipt is still to be entered into the accounting records, and noted as voided. However, all parts of any voided receipt form should then be defaced and retained. After preparing receipts, funds must be deposited promptly into the school's bank account. We again found that some sponsors did not always date, sign, indicate source of funds, and promptly submit funds together with a remittance slip to the financial specialist. Also, we noted that some receipts were issued out of sequence, some receipts were altered instead of being voided and replaced, and all parts of most voided receipts were not on file. In addition, some deposits were not promptly made while other deposits were made before receipts had been issued resulting in some out of sequence receipts and deposits as well as bank corrections. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual, pp. 7-3 through 7-5.

In addition to the above weaknesses previously identified, additional conditions in controls need to be strengthened. Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account statement for each month in which transactions have been recorded in their accounts, and be required to verify that transactions have been correctly recorded. We found some sponsors did not return these statements. We recommend a procedure be established to enforce the requirement that all statements are reviewed by sponsors, any discrepancies in their accounts resolved, and signed statements returned to the financial specialist (see MCPS Financial Manual, p. 20-9).

Central Investment Fund (CIF) interest and expense must be recorded monthly. The balance on the monthly CIF statement should be compared to that in the general ledger account to ensure that all transactions have been correctly recorded (see MCPS Financial Manual, p. 20-38). We noted at the time of our audit, several CIF transactions had not been recorded or had been recorded incorrectly, and the CIF statement and general ledger balances did not equal. We recommend the procedures outlined in Appendix E of the MCPS Financial Manual be followed.

The yearbook sponsor is required to keep detailed records of the number of books sold, the price charged, and the number of books distributed free of charge (see MCPS Financial Manual, p. 20-13). The records kept by the yearbook sponsor did not enable us to reconcile the number of books purchased with the number sold, given free, and the remaining inventory. We were therefore unable to determine that all funds generated from this activity had been remitted. We recommend the yearbook sponsor be counseled and assisted with the record-keeping required for this activity.

Summary of Recommendations

- Admission events must be conducted in accordance with MCPS Regulation DMB-RA (repeat);
- Funds collected must be promptly remitted by sponsors to the financial agent using a fully completed MCPS Form 280-34 (repeat) and promptly deposited in the bank;
- Sequentially issued receipts for remitted funds must record the original source of funds and be issued before money is taken to the bank (repeat);
- Receipts written in error must be voided and replaced instead of altered, and all parts of any voided receipt retained (repeat);
- Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the financial specialist;
- CIF interest and expense must be recorded monthly and the account reconciled; and
- All yearbooks available for sale must be accounted for and reconciled to sales receipts.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Mrs. Dorsey. 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, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:VAD:sd

Copy to:

Mr. Bowers	Dr. Williams
Dr. Statham	Mrs. DeGraba
Dr. Schiavino-Narvaez	Mrs. Milwit
Dr. Marks	Mrs. Chen




REDLAND MIDDLE SCHOOL

www.montgomeryschoolsmd.org/schools/redlandms

April 16, 2013

MEMORANDUM

To: Mr. Roger Pisha, Supervisor, Internal Audit

From: Mr. Robert Sinclair Jr., Principal 

Subject: Response to Report of Audit of Independent Activity Funds for the period March 1, 2011 through November 30, 2012

I have received and reviewed the April 12, 2013 audit report of our Independent Activity Funds for the period March 1, 2011 through November 30, 2012.

In order to address the issues raised in the audit I have completed the attached Fiscal Management Action Plan. Each of the items identified in the financial audit are listed along with a description of the issue, a timeline for correcting the issues and the identification of evidence to be used to prove that the corrections have been made.

I appreciate the cooperation and assistance from the staff in Internal Audit. Please contact me at 301-840-4680 with any questions or concerns.

Attachments

Copy to:
Dr. Darryl A. Williams, Community Superintendent
Mrs. Barbara Dorsey, Financial Assistant-Redland Middle School

Fiscal Management Action Plan

School: Redland Middle SchoolPrincipal: Robert Sinclair JrApproved by community superintendent: *Dayton*Date of approval: 4/18/13

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
"Admission events must be conducted in accordance with MCPS Regulation DMB-RA"	<ul style="list-style-type: none"> The process outlined in DMB-RA has been reviewed by the financial assistant and the principal and the process will be reviewed by the principal for any upcoming events requiring the use of tickets. (Sinclair, Dorsey) 	<ul style="list-style-type: none"> Review is completed Ticket process monitoring will be as events arise 	<ul style="list-style-type: none"> Copies of appropriately completed documentation
"Funds collected must be promptly remitted by sponsors to the financial agent using a fully completed MCPS Form 280-34 and promptly deposited in the bank"	<ul style="list-style-type: none"> The process for sponsors who are collecting money will be reviewed with staff immediately and will be reviewed with the entire staff on an annual basis. (Sinclair) Staff members not following process will be reported to the principal by Mrs. Dorsey and will be followed up with immediately 	<ul style="list-style-type: none"> Staff review at May staff meeting, followed by a memorandum Review at August pre-service 	<ul style="list-style-type: none"> Copies of appropriately completed receipts showing regular deposits with all required documentation
"Sequentially issued receipts for remitted funds must record the original source of funds and be issued before money is taken to the bank"	<ul style="list-style-type: none"> The financial assistant has reviewed the processes in the new SFO software that are to be used to record these transactions and corrections. (Dorsey) The financial assistant has purchased pre-printed receipts for use with the system that will assist in correcting this issue. (Dorsey) This will become part of the monthly check of documentation when accounts are reconciled. (Sinclair, Dorsey) 	<ul style="list-style-type: none"> Review of appropriate process is completed and new receipts are on hand and being used Monthly review of receipts issued for appropriate documentation 	<ul style="list-style-type: none"> Copies of receipts with complete and appropriate documentation and notations
"Receipts written in error must be voided and replaced instead of altered, and all parts of any voided receipt retained"	<ul style="list-style-type: none"> The financial assistant has reviewed the processes in the new SFO software that are to be used to record these transactions and corrections. (Dorsey) The financial assistant will implement the use of a folder where she will be able to keep and file voided and incorrect receipts 	<ul style="list-style-type: none"> Review of appropriate process is completed and new receipts are on hand and being used Implementation of folder system to start immediately 	<ul style="list-style-type: none"> Folder containing voided or spoiled receipts and financial records showing issuing of new receipts rather than correcting or changing initial receipts

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
"Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the financial specialist"	<ul style="list-style-type: none"> The financial assistant will implement a system (spreadsheet or otherwise) to be used to track the monthly return of all statements. (Dorsey) The financial assistant will provide the principal with a listing of any sponsors who have not signed and returned their forms. The principal will then follow up with the staff members. (Dorsey, Sinclair) 	<ul style="list-style-type: none"> Financial Assistant will determine her internal process immediately Reporting process has been reviewed and implemented Each month a list will be generated for the principal indicating the staff members who have not returned their documentation. 	<ul style="list-style-type: none"> Copies of signed monthly forms Copies of the internal record keeping being used by the financial assistant.
"CIF interest and expense must be recorded monthly and the account reconciled"	<ul style="list-style-type: none"> The financial assistant will record interest and expenses monthly, and once recorded the financial assistant will verify that the account balance in the IAF matches the CIF investment account balance. (Dorsey) 	<ul style="list-style-type: none"> Process has been reviewed and implemented Each month this will be reviewed during the monthly reconciliations 	<ul style="list-style-type: none"> Financial records showing the funds being recorded in the correct accounts and the accounts being reconciled at the end of each month
"All yearbooks available for sale must be accounted for and reconciled to the sales receipts"	<ul style="list-style-type: none"> This year's yearbook advisor will receive the yearbooks, verify the number of books received, secure the books once they have been received and will maintain a record of all books distributed, including giveaways. (Sinclair) 	<ul style="list-style-type: none"> Process will be shared with the yearbook advisor in April and will be reviewed when the yearbooks arrive. 	<ul style="list-style-type: none"> Copy of log showing yearbook distribution.

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