MEMORANDUM

To: Mr. Gregory S. Edmundson, Principal
   Rocky Hill Middle School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period
         February 1, 2011, through August 31, 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 September 28, 2012, we reviewed the status of the conditions described in our
prior audit report dated March 31, 2011, and discussed action required to strengthen the controls over
IAF resources discussed in that report. 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

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, 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 assistant. A check may
then be drawn and it must bear two signatures, one of which is that of the principal or acting
principal. We again found instances in which purchases were not supported by a documentation that
had been certified to indicate satisfactory receipt of goods or services.
We again found improvements in handling of student fees need improvement. Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the financial specialist. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (see MCPS Financial Manual, p.7-4). As previously reported, field trip and other sponsors continued to hold fees collected rather than remitting them on a daily basis. In addition, receipts prepared by the financial specialist must distinguish between cash and checks remitted.

In addition to the above conditions previously reported, we identified other opportunities for improvement in internal controls. The monthly bank statement reconciliation which is prepared by the financial specialist using the bookkeeping program should also be performed manually by a staff member independent of financial operations. You should review both reconciliations to assure they are in agreement and sign them before filing them with other monthly reports. Adding an independent checking account reconciliation to the monthly report will strengthen internal controls (see MCPS Financial Manual, pp. 20-8, 20-25).

Sponsor of field trips should have a complete class or club roster of names of students eligible to participate in a trip, and annotate how much each student paid, eligible students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be turned in to the financial agent at the completion of each trip, and compared to remittances recorded in the trip account reconciliation report. We again found not all sponsors are turning in completed data at the conclusion of each trip, and that data is not being compared to the final account report.

Sales of PE uniforms should comply with the requirements outlined in the Handbook for the Operation of School Stores. Because we did not have an inventory count of uniforms available at the beginning of the 2012 school year, we were unable to evaluate the results of this activity. We recommend that a current inventory count be completed so that the expected results from uniform distribution can be compared with the account reconciliation report.

**Summary of Recommendations**

- Receipt of goods or services must be confirmed prior to disbursement (repeat);
- Funds collected must be promptly remitted by sponsors to the financial agent (repeat);
- Monthly independent checking account reconciliation must be performed;
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip; and
- Physical Education uniform 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. LaVerne G. Kimball, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:LS: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:** Rocky Hill Middle School  
**Principal:** Greg Edmundson

**Approved by Community Superintendent:**  
**Date of approval:**

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<th>Findings and Recommendations of School's Financial Report</th>
<th>Description of Resolution</th>
<th>Person(s) Responsible</th>
<th>Timeline</th>
<th>Evidence of Completion</th>
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| Disbursement of IAF Funds Findings                      | - Principal to meet directly with identified sponsors and employees who are consistently submitting undocumented evidence of receipt of goods or services.  
- School-wide staff training given by school financial specialist during pre-service week.  
- Training as needed given to sponsors and employees throughout school year.  
- Instructions posted on Rocky Hill T-shared folder. | Principal, School Financial Specialist, Sponsors, Resource Teachers, other staff. | - Immediately and as needed  
- August 2012 and ongoing  
- Ongoing  
- August 2012 and continually updated | - E-mail sent to all employees to review guidelines for purchase requests and receipt of goods and services that are posted on T-shared.  
- Individual meetings to be held with sponsors and employees who do not comply with guidelines.  
- Pre-service presentation materials posted on T-shared.  
- As needed individual reminders to staff on guidelines. |
| Student Fees, Field Trip Fees Finding       | School-wide staff training presented by school financial specialist during pre-service week.  
|                                          | Sponsors are provided guidelines on receipt and deposit of funds on T-shared.  
|                                          | Sponsors and employees are reminded during the collection process to deposit funds daily. |
|Student Fees, Field Trip Fees Recommendation| Principal, School Financial Specialist, Resource Teachers, Field Trip Sponsors, Activity Sponsors |
|                                          | August 2012 and ongoing  
|                                          | August 2012  
|                                          | Ongoing |
|                                          | E-mail sent to all employees to review guidelines for purchase requests and receipt of goods and services posted in T-shared and information shared with Leadership Team.  
|                                          | Individual meetings to be held with sponsors and staff not in compliance with guidelines.  
|                                          | Pre-service presentation materials posted on T-shared.  
<p>|                                          | As needed individual reminders to staff on guidelines. |
| Monthly Bank Statement Reconciliation Finding | School administrative secretary to reconcile bank statement manually and attach to bank statement before returning to school financial specialist. |
| Monthly Bank Statement Reconciliation Recommendation | Principal, school administrative secretary, school financial specialist. |
|                                          | Ongoing throughout fiscal year. |
|                                          | Immediate compliance |</p>
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<th>Field Trip Findings</th>
<th>Field Trip Recommendations</th>
<th>August 2012 and ongoing</th>
<th>E-mail sent to all sponsors upon field trip inquiry to review guidelines for field trips posted in T-shared.</th>
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<td>- Not all sponsors are submitting completed data at the conclusion of a field trip.</td>
<td>- School-wide staff training presented by the school financial assistant during pre-service week.</td>
<td>- Ongoing</td>
<td>- Individual meetings to be held with field trip sponsors not in compliance with guidelines.</td>
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<td>- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip.</td>
<td>- Field trip sponsors are provided a copy of the field trip guidelines on T-shared.</td>
<td>- Ongoing</td>
<td>- Pre-service presentation materials posted on T-shared.</td>
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<td>- A field trip planning guide provided on T-shared and updated accordingly.</td>
<td>- Field trips are reviewed by school financial specialist to ensure all required paperwork has been completed.</td>
<td>- Ongoing</td>
<td>- As needed individual reminders to staff on guidelines.</td>
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<td>- Principal, School Administrative Secretary, School Financial Specialist, Resource Teachers and Field Trip Sponsors</td>
<td>- August 2012 and ongoing</td>
<td>- Field trip planning guide</td>
<td>- Copies of completed field trips with all paperwork on file.</td>
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| Sale of Physical Education Uniforms   | Physical Education resource teacher will continually track uniform inventory. All records are accurate and up-to-date. | PE Resource Teacher | September 2012 | Copy of inventory
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<td>Findings</td>
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<td>Sales and inventory reconcile</td>
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<td>• Inventory count of uniforms not available at beginning of school year</td>
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<td>Physical Education Uniform</td>
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<td>Recommendations</td>
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<td>• Physical Education uniform sale and inventory processes should comply with the requirements in the <em>Handbook for the Operation of School Stores.</em></td>
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