


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

May 9, 2014

MEMORANDUM

To: Dr. Cynthia Eldridge, Principal
Rocky Hill Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2012, through March 31, 2014

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 29, 2014 with you, and Ms. Charlene Bradley, financial specialist, we reviewed the status of the conditions described in our prior audit report dated October 2, 2012, and the status of present conditions. It should be noted that your appointment as principal was effective August 12, 2013. 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. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, prior approval was not consistently obtained. Many disbursements did not have adequate documentation to fully explain the reason for the expenditure, and again, invoices were not always signed by the receiver. By requiring prior approval and complete documentation, 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, and that complete documentation be attached to fully explain the reason for the purchase. 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.

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly and intact with a remittance slip to the financial specialist. The funds should be counted in the presence of the remitter to verify the total amount indicated on the remittance slip, and a receipt promptly issued. These funds must be deposited promptly, and all funds receipted 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, sponsors continue to hold funds collected rather than remitting them to the financial specialist on a daily basis. To minimize the risk of loss, we recommend staff be encouraged to submit all funds collected daily to the financial specialist for prompt deposit in accordance with MCPS policy and procedures.

Review of field trip activities again revealed that although sponsors are providing cost and fee information as funds are collected and remitted, not all field trip sponsors are providing comprehensive financial information to the financial specialist at the completion of a trip. Sponsors of field trips should have a complete class or club roster of student names to annotate the amount and date each student paid, eligible students who did not participate in the trip and students who received waivers, scholarships or reduced fees. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and submit the data to the financial specialist when a trip is completed. The record of the names of participants and sums collected provides assurance that all field trip fees have been remitted. We also noted a few field trips that required class coverage with substitutes for which MCPS was not reimbursed. We recommend all sponsors be required to follow the procedures outlined above (see MCPS Financial Manual, p. 20-9).

Sales of PE uniforms should comply with the requirements outlined in the *Handbook for the Operation of School Stores*. We again noted some weaknesses over the accounting process for the sale of uniforms. The record of sums collected from students could not be reconciled to the record of sales. To improve controls, we recommend tracking uniform sales on a spreadsheet that can be reconciled to records of account activity. In addition, the inventory record should be adjusted for sales, purchases, giveaways, and for garments that are damaged or obsolete. This

inventory record should be compared to a physical count of items which should be performed at least annually. Inventory items should be secured at all times to lessen the likelihood of a loss.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement;
- Purchaser must confirm receipt of goods or services prior to disbursement (repeat);
- Purchase documentation must be adequate to support disbursements;
- Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the financial agent (repeat);
- 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 (repeat); and
- Physical Education uniform sale and inventory processes should comply with the requirements outlined in the *Handbook for the Operation of School Stores* (repeat).

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:

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

Fiscal Management Action Plan

School: Rocky Hill Middle School

Principal: Cynthia Eldridge

Approved by associate superintendent: *Dan K. W.*

Date of approval: 7/2/14

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.	<ul style="list-style-type: none"> Persons Responsible: Principal, fiscal assistant and all staff. The principal will give an overview of expectations at the August pre-service meetings for staff. 	<p>Immediately; pre-service session for all staff and ongoing.</p> <ul style="list-style-type: none"> June 2014 August 2014 <p>August 2014-June 2015</p>	New overview of list of the guidelines will be shared with staff at pre-service meetings. Individual meetings will be held with staff who do not comply with the guidelines.
Purchaser must confirm receipt of goods/services prior to disbursement.	<ul style="list-style-type: none"> Persons Responsible: Fiscal assistant and field trip sponsors. The principal will give an overview of expectations at the August pre-service meetings for staff. 	<p>Immediately; pre-service session for all staff and ongoing.</p> <ul style="list-style-type: none"> June 2014 August 2014 August 2014-June 2015 	New overview of list of the guidelines will be shared with staff at pre-service meetings. Individual meetings will be held with staff who do not comply with the guidelines.
Purchase documentation must be adequate to support disbursements.	<ul style="list-style-type: none"> Persons Responsible: Fiscal assistant and field trip sponsors. The principal will give an overview of expectations at the August pre-service meetings for staff. 	<p>Immediately; pre-service session for all staff and ongoing.</p> <ul style="list-style-type: none"> June 2014 August 2014 August 2014-June 2015 	New overview of list of the guidelines will be shared with staff at pre-service meetings. Individual meetings will be held with staff who do not comply with the guidelines.
Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the financial agent.	<ul style="list-style-type: none"> Persons Responsible: Fiscal assistant and club sponsors. The principal will give an overview of expectations at the August pre-service meetings for staff. 	<p>Immediately; pre-service session for all staff and ongoing.</p> <ul style="list-style-type: none"> June 2014 August 2014 August 2014-June 2015 	New overview of list of the guidelines will be shared with staff at pre-service meetings. Individual meetings will be held with staff who do not comply with the guidelines. Monthly meetings with fiscal assistant and sponsors from August 2014-June 2015.

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.	<ul style="list-style-type: none"> • Upgrade field trip forms (in t-shared) • Persons Responsible: Fiscal assistant and field trip sponsors. The principal will give an overview of expectations at the August pre-service meetings for staff. 	Immediately; pre-service session for all staff and ongoing. <ul style="list-style-type: none"> • June 2014 • August 2014 • August 2014-June 2015 	<p>New overview of list of the guidelines will be shared with staff at pre-service meetings. Individual meetings will be held with staff who do not comply with the guidelines.</p> <p>A meeting is held with the principal for all requested field trips and outline of responsibilities is reviewed. The teacher must meet with the financial assistant before and after each field trip.</p>
PE uniform sale inventory process should comply with the requirements outlined in the Handbook for the Operation of School Stores.	<ul style="list-style-type: none"> • PE resource teacher will continually rack all inventory. All records are currently accurate and up to date with the current PE resource teacher. • Persons Responsible: Fiscal assistant and PE resource teacher. The principal and the fiscal assistant meet with the current PE resource teacher June 2014. 	Immediately; pre-service session for all staff and ongoing. <ul style="list-style-type: none"> • June 2014 • August 2014 • August 2014-June 2015 	<p>Monthly meetings with fiscal assistant and PE resource teacher to review the records from August 2014-June 2015.</p>

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