


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

January 13, 2016

MEMORANDUM

To: Mrs. Kimberly N. Hayden Williams, Principal
Col. E. Brooke Lee Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2013, through October 31, 2015

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 January 8, 2016, with you, and Mrs. Ida Ghazarian, financial specialist, we reviewed the status of the conditions described in our prior audit report dated October 21, 2013, and the status of present conditions. 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. 20-4). 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. 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 specialist so a check can be written. In our sample of disbursements, prior approval was not consistently obtained and many invoices lacked confirmation of satisfactory receipt of goods or services. Prior approval ensures that the principal retains control over the expenditure of IAF funds. Purchaser confirmation prior to disbursement assures that the payment is being made only after satisfactory receipt of goods or services. We recommend that Form 280-54 be prepared by staff and signed by you 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.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Each fund-raiser should be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund-raising activity should be recorded in a separate account in the 7000 series and a completion report prepared that analyzes the results (see MCPS Financial Manual, p. 20-12). Separate accounts provide internal control to avoid the commingling of funds involving unrelated activities and enable an accurate evaluation of the results. Although sponsors properly submitted fund-raiser requests, we found that some fund-raising was done concurrently with other activities. We noted that some fund-raiser completion reports were missing, or when present, did not include the total number of items for sale, selling prices, or remaining inventories. Therefore, it was not possible to determine whether all sums collected were remitted to the financial specialist. Funds collected by the booster club for an approved fund-raiser were remitted to the financial specialist at conclusion of the activity due to the failure of the booster club to establish its own bank account. The booster club must establish its own bank account so that its funds are kept separate from the IAF. We recommend that all fund-raising transactions be recorded in separate fund-raiser accounts and not combined with other activities. We further recommend that proper internal control procedures be followed to provide for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the activity.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Sponsors of field trips should keep records of the names of trip participants with the amount collected from each, and provide this information to the financial specialist when all fees have been collected. MCPS Form 280-41, *Field Trip Accounting*, or an equivalent accounting form, should be used for this purpose. Trips should be reconciled by the financial specialist to ensure that all funds have been collected. We found some field trip fees were not being remitted in a timely manner, that not all documentation was being given to the financial specialist, and that some trips were not being properly reconciled. To minimize the risk of loss, all funds collected should be remitted to the financial specialist daily. We recommend Form 280-41 be provided to the financial specialist

together with supporting documentation at the conclusion of the trip (see MCPS Financial Manual, p. 20-10).

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;
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund-Raiser*;
- Funds collected by sponsors must be promptly remitted to the financial specialist; and
- 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.

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 Mrs. Diane Morris, director of middle schools. The Office of School Support and Improvement will follow up on this audit.

RWP:SY:sd

Copy to:

Dr. Zuckerman
Dr. Statham
Dr. Navarro
Dr. Williams
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit
Mrs. Morris

Fiscal Management Action Plan

School: Col. E. Brooke Lee Middle School

Principal: Kimberly Hayden Williams

Approved by associate superintendent: _____

Date of approval: _____

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.	All staff members have been informed (in staff meeting) that prior to proceeding with any intended purchases, a request in writing must first be approved the principal.	Ongoing	Staff requesting a purchase must complete MCPS Form 280-54, Request for a Purchase, explaining the purpose and use of the materials requested in detail. Form 280-54 will be handed to the financial specialist to certify the availability of funds, and then will be presented to the principal for the signature and final approval needed to proceed.
Purchaser must confirm receipt of goods or services prior to disbursement.	All staff members have been informed (in staff meeting) regarding their proof of purchases through a receipt and their packing slip.	Ongoing	Upon purchase of an item, staff members have to provide the financial specialist with the receipt and the packing slip signed by the purchaser in order to be reimbursed for those funds.
Fundraising must conform to <i>Guidelines for Sponsoring an IAF Fundraiser</i> .	All sponsors have been informed (in staff meeting) regarding the guidelines for sponsoring an Independent Activity Funds (IAF) Fundraiser.	Ongoing	Upon verbally requesting permission for a fundraiser, each sponsor will be provided with a folder including the necessary procedures and forms. Sponsors will submit the fundraiser approval form to the principal. Per the principal's approval, they will proceed with the fundraiser. At the end of the fundraiser, the sponsor must submit the completion and analysis report concluding a full explanation for any shortages and overages in activity.

<p>Funds collected by sponsors must be promptly remitted to the financial specialist.</p>	<p>All sponsors have been informed (in staff meeting) regarding the proper use of MCPS Form 280-34 Remittance Slip.</p>	<p>Ongoing</p>	<p>Sponsors are required to turn in all monetary funds that have been collected by the end of the day to the financial specialist. They must indicate the name of each student, funds received, and also sign and date the MCPS Form 280-34.</p>
<p>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 for the trip.</p>	<p>All sponsors have been informed (in staff meeting) regarding the guidelines for sponsoring a field trip.</p>	<p>Ongoing</p>	<p>Upon verbally requesting permission for a field trip, each sponsor will be provided with a folder including the necessary procedures and forms. Sponsors will submit the field trip approval form to the principal. Per the principal's approval, they will proceed with securing all the necessary reservations for the trip. At the end of the trip, a list of all students who were in attendance must be submitted including the type of payment, date, and permission slip previously indicated in the field trip Form 280-41. Sponsors must submit an explanation for any shortage or coverage in the reconciliation report to the financial specialist.</p>

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