


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

October 31, 2013

MEMORANDUM

To: Mr. Craig W. Staton, Principal
Julius West Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2012, through September 30, 2013

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 October 29, 2013, with you, and Mrs. Sheila Brooks, financial specialist, we reviewed the status of the conditions described in our prior audit report dated May 9, 2012, 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. We noted your appointment as principal was effective July 1, 2013, and you are currently registered to attend IAF school finance training.

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. 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. We also noted that the school made disbursements for two items without the required higher level approval (see MCPS Financial Manual, p. 20-5).

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card Users Guide*. Card members must record purchases on transaction logs, sign the logs to certify completeness and compliance, and submit the logs monthly with invoices and receipts attached for timely review and approval by the principal. Although procedures were generally in compliance, we found an unauthorized purchase of gift cards and the purchase of items for staff that were charged to a student account. It is imperative that logs are reviewed to ensure the purchases are appropriate and recorded in the proper accounts. Action is needed to bring purchasing card usage into conformity with MCPS requirements.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly, and intact, to the financial specialist together with a remittance advice. The funds should be verified for agreement with the remittance advice in the presence of the remitter, and a receipt issued. The funds receipted should, in turn, be promptly deposited into the school's bank account. We found that some sponsors were holding funds collected rather than remitting them to the financial specialist on a daily basis, and at times not promptly deposited by the financial specialist. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual, pp. 7-3, 7-4.

Sponsors of field trips should have a complete class or club roster of student names to annotate the amount 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 provided to the financial specialist at the completion of each trip, and compared to remittances recorded in the trip account reconciliation report. We found that the sponsor for the residential outdoor environmental education program was not providing complete data at conclusion of the trip to compare to the final account reconciliation report. We also found that fees collected exceeded sums billed by MCPS for this activity. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or equivalent to record trip fees and provide comprehensive data at the completion of each trip. We further recommend that the fees collected and financial assistance request form be reviewed to ensure more accurate information is reported to MCPS for billing (see MCPS Financial Manual, p. 20-9).

Admission receipts for events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. Admission event controls include serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and a perpetual inventory of tickets. We found that ticket reports were not prepared by the ticket controller when tickets were issued, and a large number of complimentary tickets were issued to students but not documented. Refreshments were sold at school dances without reconciliation to account for unsold items. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events, that all tickets be serially numbered and issued by the ticket controller, and that a perpetual inventory is maintained.

Summary of Recommendations

- Expenditure of funds must be approved by the principal prior to procurement;
- Purchase card activity must be in compliance with the MCPS *Purchasing Card User's Guide*;
- Funds collected by sponsors must be promptly remitted using MCPS Form 280-34 to the financial specialist for timely deposit to the bank;
- 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);
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

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

JULIUS WEST MIDDLE SCHOOL

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Craig W. Staton, Principal
H. Dudley Davidson, Assistant Principal
Erin L. Martin, Assistant Principal

LaDonna A. Fletcher, Assistant School Administrator
Nancy C. Deprey, IB MYP Coordinator

November 18, 2013

MEMORANDUM

To: Mr. Roger W. Pisha, Supervisor, Internal Audit

From: Craig W. Staton, Principal *CS*

Subject: Response to Audit Report of Independent Activity Funds for the Period April 1, 2012 through September 30, 2013

This memorandum is written as required in response to the audit report dated October 31, 2013, of Independent Activity Funds (IAF) for Julius West Middle School for the period April 1, 2012 through September 30, 2013.

Response to findings and Recommendations

All staff has been informed through the Instructional Leadership Team and via email of the following items noted in the internal audit report:

- Expenditure of funds must be approved by the principal prior to procurement.
 - Staff will also be reinstructed on how to use MCPS form 280-54, IAF Request For A Purchase for all purchases over twenty five dollars. The form must be submitted for approval prior to the purchase.
 - Chapter 20 of the MCPS Financial Manual will be provided for review.
- Purchase card activity must be in compliance with the MCPS *Purchasing Card User's Guide*.
 - All purchase card activity and receipts will be closely monitored and tracked for compliance. Every effort will be made to ensure proper use of purchase cards.
 - The MCPS Purchasing Card User's Guide will be provided for review.
- Funds collected by sponsors must be promptly remitted using MCPS Form 280-34 to the financial specialist for timely deposit to the bank.
 - Staff will be reminded to remit funds collected expeditiously and the financial specialist will make timely deposits.
 - Chapter 7 of the MCPS Financial Manual will be provided for review.

- 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.
 - The recommendations about field trip accountability and how to access needed forms in the Julius West Middle School handbook or through the MCPS website will also be reviewed at pre-service training in August.
 - Chapter 20 of the MCPS Financial Manual will be provided for review.
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.
 - Admissions report will be started prior to event by the Ticket Controller and completed by the Admission's Manager.
 - The Fund Raiser Control Sheet will be used for inventory of refreshments to be sold at every event that sells such items. Remaining items will be included in the inventory for the next event.
 - A form for complimentary tickets has also been created to keep track of the students entering event without purchasing a ticket.
 - MCPS Regulation DMB-RA, Control of Admission Receipts will be provided for review.

We continue to work hard to keep our school fiscally responsible and are thankful that our staff and financial specialist are competent and responsible employees.

A copy of this response is being provided to our Associate Superintendent, Dr. Darryl Williams, as required.

CWS:vvd

Copy to:
Dr. Williams
Mrs. Brooks