


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

May 12, 2017

MEMORANDUM

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

From: Roger W. Pisha, Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2015, through March 31, 2017

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 fund-raisers. They are responsible for ensuring that the IAFs are administered in accordance with MCPS policies, regulations, and procedures.

The 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 the 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.

At our meeting on May 10, 2017, with you and Mrs. Sheila B. Brooks, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated October 27, 2015, 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: *Independent Activity Funds Request For A Purchase*, is used to obtain principal approval to proceed with an intended purchase (refer to *MCPS Financial Manual*, chapter 20, page 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. Invoices for goods or services must be signed and dated by the purchaser to indicate satisfactory receipt. In our sample of disbursements, we found MCPS Form 280-54 was not always signed by the principal prior to purchase and that invoices were not always annotated by the purchaser to indicate that the purchased goods or services were satisfactorily received. We recommend that MCPS Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and that the check payment is issued only after an invoice has been marked "received" to indicate satisfactory receipt of the purchased goods or services.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the school financial specialist together with MCPS Form 280-34: *Independent Activity Fund (IAF) Remittance Slip*. The funds should be counted in the presence of the purchaser, and a receipt that is supported by the MCPS Form 280-34 should be issued promptly. We found that some sponsors were holding funds collected rather than remitting them to the school financial specialist on a daily basis. Also, the school financial specialist was not always counting the funds in the presence of the purchaser, and occasionally, was holding money in excess of permitted amounts. To minimize the risk of loss or theft, and to make the funds available to meet school needs, we recommend that all funds collected should be promptly remitted to the school financial specialist for prompt deposit in the bank (refer to *MCPS Financial Manual*, chapter 7, page 5).

Admission receipts for school events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. These events must be controlled with serially numbered tickets, separation of duties, and the 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. For ticketed events, the forms on file appeared to have been initiated after the conclusion of the activity, rather than when tickets were issued by the ticket controller to the admission's manager. Other weaknesses include the use of one set of tickets for two performances on different nights and the lack of a perpetual inventory of tickets. We recommend that the ticket controller issues a separate set of tickets for each event and that the ticket controller prepares and signs MCPS Form 280-50 when the tickets are issued to the admission's manager. In addition, procedures for sale of the tickets be reviewed with appropriate staff prior to events, and that a perpetual inventory for all tickets be maintained.

Principals and school financial specialists should attend refresher training every three years to receive the most current financial information. We recommend that both you and your school financial specialist attend refresher financial training.

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**).
- Funds collected by sponsors must be promptly remitted to the school financial specialist (**repeat**).

- Remitted funds must be promptly verified in the presence of the remitter.
- Verified funds must be promptly deposited in the bank by the school financial specialist.
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.
- Principal and school financial specialist should attend refresher financial training.

Other matters were discussed and satisfactorily resolved. We appreciate 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 Unit within 30 calendar days of this report through Dr. Eric L. Minus, director of school support and improvement of middle schools. In your response, please share a detailed plan for addressing these issues including appropriate staff training and support. The Office of School Support and Improvement will follow up on this audit.

RWP:SMY:lsh

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Dr. Williams

Mrs. Camp

Mrs. Chen

Ms. Diamond

Dr. Minus

Mr. Tallur

Mr. Ikheloa

Fiscal Management Action Plan

School: Julius West Middle School

Principal: Craig W. Staton

Approved by community superintendent: _____

Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Use of MCPS Form 280-4, Request for Purchase	We will conduct a more intense training with staff on the usage of the Request for Purchase MCPS Form 280-4, and enforce procedures regarding preapproval of purchases. The sponsors (e.g. Building Services Manager, Media Specialist, teachers, etc.) of a particular activity/event will be responsible for adhering to the procedures.	Immediately (May/June 2017) and during preservice week upon returning for the 2018 school year	Email correspondence to summer employees Included in the preservice agenda on the master calendar
Receipts and remittance slips, MCPS Form 280-34	Funds will be counted in front of sponsors and extra effort will be performed to insure prompt remittance and deposit of funds by sponsors and the financial specialist. Also more training and stronger emphasis on correct procedures will be conducted with staff sponsors on the importance of remitting funds daily with individual sponsors and during preservice week for 2018 school year. Greater effort will be made to deposit funds remitted in the bank on a daily basis by the School Financial Specialist	Immediately (May/June 2017) and during preservice week upon returning for the 2018 school year	The financial specialist is training and counting funds in front of sponsors as much as possible and will continue to emphasize the importance of this practice to sponsors. Sponsors are being <u>required</u> to remit funds on a daily basis. Sign-off sheets will be used to record The financial specialist will prioritize time, as needed, in her workday to deposit funds daily.
Admission Tickets MCPS Form 280-50	MCPS Form 280-50 will be initiated when tickets for events are given to sponsors, by the financial specialist, to sign and verify the ticket numbers. Two sets of tickets will be used for the two separate nights of performances. A perpetual inventory of tickets will be created to be used in place of the current spreadsheet used to keep track of tickets as used.	Immediately (May/June 2017), during preservice week upon returning for the 2018 school year and with each individual sponsor	Form 280 -50 reviewed with the School dance sponsor, drama production sponsor and 8 th grade celebration sponsor as tickets were given out during spring of 2017 At the conclusion of the above events, each sponsor completed a separate 280-50 form for each event. Two sets of tickets were used for the separate nights of the drama

				production. A perpetual inventory of tickets was created using the sample provided by the auditor.
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Note: A copy of the approved plan is to be sent to the Internal Audit Office, URSC suite 3380