

Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

October 1, 2012

MEMORANDUM

To: Ms. Virginia A. de los Santos, Principal
White Oak Middle School

From: Roger W. Pisha, Supervisor, Internal Audit *RWP*

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2010, through July 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 19, 2012, with you and Ms. Kim Miller, financial specialist, we reviewed the status of the conditions described in our prior audit report dated December 21, 2010, and discussed further actions needed to strengthen the accountability for IAF resources. We noted Ms. Millers' appointment as financial specialist was effective February 6, 2012. It is commendable that she attended the school finance training in January 2012, to prepare for her new assignment, and again in March 2012, after initial school experience to better apply this knowledge in the performance of her duties as your financial specialist. 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. In our random 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.

All equipment acquired by a school whether by gift or by purchase becomes the property of MCPS (see MCPS Financial Manual, p. 20-13). MCPS Regulation EDC-RA, *Control of Furniture and Equipment Inventory*, provides guidance for adjusting the school inventory to account for property acquisitions and disposals. We found the school purchased three Galaxy Tablets for administrators using IAF that were not added to the school inventory as required. We also noted new furniture was purchased for the counselors' office without first contacting the Department of Materials Management to determine if furniture was available to meet the needs of the school (see MCPS Financial Manual, p. 20-5). We recommend appropriate staff become familiar with compliance of property control procedures.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. Although most sponsors are now submitting fund raiser request forms and profit and loss statements, most forms were not properly completed so that results could be evaluated. Most profit and loss statements did not include the total number of items for sale, selling prices, or remaining inventories, thus it was not possible to determine whether all sums collected were remitted to the financial specialist. Following internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. We recommend using the Fund Raiser Completion form located in MyMCPS business center.

Review of field trip activities 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 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. Sponsors of field trips should have a complete class or club roster of student names 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. The record of the names of participants and sums collected provides assurance that all field trip fees have been remitted. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above. We noted a few field trips where fees collected were not sufficient, or exceeded the cost of the trips. We recommend the pricing of trips be more closely monitored (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 noted some weaknesses over the accounting process for the sale of uniforms, and records of sums collected from students could not be reconciled to records of sales. To improve controls, we recommend tracking of uniform sales on a spreadsheet that can be reconciled to records of account activity. In addition, inventory records should be adjusted for sales, purchases,

giveaways, and for garments that are damaged or obsolete. The inventory record should be compared to a physical count which should be performed at least annually. The inventory 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;
- Furniture and Equipment control must comply with MCPS Regulation EDC-RA;
- Fundraiser completion reports prepared by sponsors must provide sufficient information to analyze results;
- Fund raising must conform to *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*;
- 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, especially that of Ms. Miller. 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. Myra J. Smith, community superintendent. 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

Dr. Marks

Dr. Smith

Mrs. DeGraba

Mrs. Milwit

Mrs. Chen

Fiscal Management Action Plan

School: White Oak Middle School

Approved by Community Superintendent: Dr. Myra J. Smith

Principal: Virginia de los Santos

Date of approval: 11/9/12

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Recommendation I:	Response:		
<p><u>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. In our random 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 280-4 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.</u></p>	<p>We fully understand this requirement, and going forward all disbursements will be in writing on MCPS form 280-54 and dated before the date of the disbursement.</p> <p>With respect to sponsors using a budget, at the end of the 2012 school year we implemented an income and expense budget process which is monitored by the financial specialist.</p>	<p>Ongoing practice</p>	<p>The principal's approval on MCPS Form 280-54 is signed and dated BEFORE the receipt date. Email or phone log documentation will be kept in the event of an emergency approval where the principal or designee could not complete the form 280-54 prior to a purchase.</p> <p>Quarterly sponsor budget reviews signed by the financial specialist and the principal.</p>

<u>Recommendation II:</u>	<p>All equipment acquired by a school whether by gift or by purchase becomes the property of MCPS (see MCPS Financial Manual, p. 20-13). MCPS Regulation EDC-RA, Control of Furniture and Equipment Inventory, provides guidance for adjusting the school inventory to account for property acquisitions and disposals. We found the school purchased three Galaxy Tablets for administrators using IAF that were not added to the school inventory as required. We also noted new furniture was purchased for the counselors' office without first contacting the Department of Materials Management to determine if furniture was available to meet the needs of the school (see MCPS Financial Manual, p. 20-5). We recommend appropriate staff become familiar with compliance of property control procedures.</p>	<p><u>Response</u></p> <p>Guiding the culture of the school, reforming teaching methods, maintaining the schools appearance, and complying with property control procedures are all important roles of a principal and FS, and we take each of these responsibilities seriously. As of September 6th we have bar coded the galaxy tablets, and the auditor was able to verify the location and activity use of each tablet.</p> <p>We will submit requests to purchase furniture via e-mail and retain the communication in our school correspondence file.</p>	<p>Ongoing</p>	<p>All invoices tendered to the school for payment for new assets will have supporting documentation to include evidence of bar coding.</p> <p>Appropriate forms or e-mail confirmation from DMM approving the purchase or acknowledging requests and inventory status of desired equipment will be kept on record for each purchase.</p> <p>Appropriate staff will receive compliance of property control procedures training by financial specialist when purchasing equipment. Financial specialist will review purchase orders and receipt in order to advise appropriate staff about procedures.</p>
<u>Recommendation III:</u>		<p><u>Response</u></p> <p>The financial specialist will ensure that the comments section of the form reflect a detailed analysis, i.e. the total number of items for sale, selling prices, and remaining inventories.</p> <p><i>Future Example: 1,000 units bottled water purchased for \$1.00 each—for sale at price of \$1.50 per bottle. 500 bottles were sold, remaining inventory (500bottles) will be sold at fund-raiser scheduled in April.</i></p>	<p>Ongoing</p>	<p>Quarterly, the financial specialist will review the success of fundraisers completed with the principal. The evaluation will measure the success of the fundraiser based upon the planning strategies identified in the fundraising proposal, and the expenses will be weighed against the receipts.</p> <p>Overall, the ultimate success of the fundraiser will be determined by how well the activity met the expected profit goals. In conclusion, the review will ensure that a detailed analysis of the fundraiser is reflected on the Fundraiser Completion form. The results will then be shared with the sponsor for training and development purposes.</p>

event. We recommend using the fund Raiser completion form located in MyMCPS business center.	<p>Recommendation IV:</p> <p>Review of field trip activities 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 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. Sponsors of field trips should have a complete class or club roster of student names 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. The record of each name of participant and sums collected provided assurance that all field trip fees has been remitted. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above. We noted a few field trips where fees collected were not sufficient or exceeded the cost of the trips. We recommend the pricing of trips be more closely monitored (see MCPS Financial Manual, p. 20-9).</p>	<p>Response:</p> <p>Overall, current analysis has shown improvement in this area as a result of awareness-building among field trip sponsors when collecting fees. In addition, the following corrective actions are in place to address students who receive waivers, scholarships, or reduced fees.</p> <ul style="list-style-type: none"> • The school included in the teachers' handbook a brief explanation of the guidelines and procedures for field trips; • The field trip sponsors are required to separate field trip fees from donations when completing the field trip accounting report. When funds are remitted to the FS, all donations are recorded separate from the field trip cost and the donor is mailed a thank you letter which can be used for tax reporting purposes. • The administration and FS have provided training for sponsors and team leaders with discussion points to include: role and responsibility of the sponsor, forms training, the importance of ensuring that Field Trips are self-supporting, the expectations for handling waivers/reduced fees prior to discussing such arrangements with the student(s). • The administration and financial specialist are monitoring the progress and success of fundraisers that are linked to field trips to ensure sufficient funding is raised prior to the trip. 	<p>Ongoing</p> <p>Each trip request will include a meeting with the financial specialist to review Field Trip Accounting records to ensure compliance with the MCPS guidelines. Corrective actions will be completed a week before each actual trip.</p>	<p>Quarterly</p> <p>Quarterly, the FS will meet with the physical education content specialist to review the tracking of the uniform sales on the spreadsheet recommended by the auditor.</p>
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the sale of uniforms, and records of sums collected from students could not be reconciled to records of sales. To improve controls, we recommended tracking of uniform sales on spreadsheet that can be reconciled to records of account activity. In addition, inventory records should be adjusted for sales, purchases, giveaways, and for garments that are damaged or obsolete. The inventory record should be secured at all times to lessen the likelihood of a loss.

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