


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

November 7, 2014

MEMORANDUM

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

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
August 1, 2012, through June 30, 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 November 5, 2014, with you and Mrs. Susan Krisch, financial specialist, we reviewed the status of the conditions described in our prior audit report dated October 1, 2012, and discussed further actions needed to strengthen the accountability for IAF resources. 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

While we commended you for progress made, some conditions continue to need improvement. Sales of PE clothing 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 PE clothing, 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.

In addition to the above weaknesses previously identified, additional conditions in controls need to be strengthened. 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. 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. In our sample of disbursements, we found that invoices were not always signed by the receiver. We recommend that documentation be attached to Form 280-54 to confirm the purchase was received in good order.

Summary of Recommendations

- Physical Education uniform sale and inventory processes should comply with the requirements outlined in the *Handbook for the Operation of School Stores* (repeat); and
- Purchase documents must be annotated to indicate satisfactory receipt of goods or services.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Mrs. Krisch. 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:VAD:sd

Copy to:

Mr. Bowers
Dr. Navarro
Dr. Statham
Mr. Sanderson
Dr. Williams
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

Fiscal Management Action Plan

School: White Oak Middle School Principal: Virginia de los Santos
 Approved by associate superintendent: Darryl Williams *Darryl Williams* Date of approval: 1/2/15

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Physical Education uniform sales and inventory processes should comply with the requirements outlined in the <i>Handbook for the Operation of School Stores</i> (repeat);</p>	<p>Ongoing communication with Financial Specialist, PE Department Chairperson and Content Specialist to keep PE clothing sales records on track. <i>Handbook for the Operation of School Stores</i> provided to new PE Clothing Sponsor. FS provided an Excel spreadsheet to keep track of all items sold individually, sets, give aways, reduced prices, etc. FS will monitor the spreadsheet of sales regularly during the year. Inventory increased to be completed several times a year rather than just year end.</p>	<p>Ongoing</p>	<p>Inventory scheduled for January, April and June 2015. Excel spreadsheet of sales will be reconciled with records of account activity. <i>See attached Excel spreadsheet</i></p>
<p>Purchase documents must be annotated to indicate satisfactory receipt of goods or services.</p>	<p>The financial specialist will attach copies of packing slips signed by the receiver as evidence of receipt to all disbursements.</p>	<p>Ongoing</p>	<p>Documentation to 280-54 will be properly annotated to indicate the satisfactory receipt of goods.</p>

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

**White Oak Middle School
2014-2015 - PE CLOTHING SALES**

SOLD INDIVIDUAL ITEMS	Youth Lg	Youth X-LG	Small	Medium	Large	X-LG	XX Large	TOTAL #	TOTAL AMOUNT
T-Shirt @ \$10			52	25	8	2		87	\$ 870.00
Shorts @ \$10			43	29	6	1		79	\$ 790.00
Sweat Pants @ \$20	10	18	13	6	5	1		53	\$ 1,060.00
Sweat Shirt @ \$25			24	20	6	1		51	\$ 1,275.00
TOTAL									\$ 3,995.00

SOLD IN SETS

									Total Discount
Short + Shirt Combo (\$15)	30								\$ 150.00
Short + Shirt + Sweat Shirt+Sweat Pants (\$55)	48								\$ 480.00
Sweat Pants + Sweat Shirt (Sale) (\$40)	0								\$ -
Giveaways (no money collected) @ \$10	12								\$ 120.00
GRAND TOTAL									\$ 3,245.00