MEMORANDUM

To: Dr. Alan S. Goodwin, Principal
   Walt Whitman High School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period
         July 1, 2012, through December 31, 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 March 11, 2014, with you, Mr. James Campbell, business administrator, and Mrs. Joy Garnett, financial specialist, we reviewed the status of the conditions described in our prior audit report dated November 26, 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.

Findings and Recommendations

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, bank reconciliation report, and receipts and disbursements report in a timely manner. Review of these important reports is demonstrated by the principal’s signature
and date. No evidence was found to indicate that the receipts and disbursement report was consistently reviewed each month by the principal. While some management processes need improvement, there was no evidence to indicate misappropriation or misuse of funds. We recommend a process be initiated to ensure a review occurs monthly for all these documents (see MCPS Financial Manual, p. 20-8).

Transfers between general ledger accounts may be made only after MCPS Form 281-46, *Independent Activity Funds – Transfer*, has been executed by both the account sponsor and the principal. We found instances when transfers were recorded without approval signatures or without the transfer request form. To improve compliance, we recommend the financial specialist record transfers only when documented by requests with proper approvals (see MCPS Financial Manual, p. 20-11).

Sponsors of school activities involving the collection or disbursement of IAF should be provided an account statement for each month in which transactions have been recorded in their account. We noted this procedure was not being used. We recommend sponsors be given a monthly statement of their accounts to verify that all transactions have been correctly recorded. After any discrepancies are resolved, the sponsors should sign and date the statements to attest to their accuracy, and return them to the financial specialist. A procedure should be established to ensure that all statements are reviewed and returned (see MCPS Financial Manual, p. 20-9).

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 sample of disbursements, we found prior approval was not consistently obtained. Many disbursements did not have adequate documentation to fully explain the reason, and invoices were not always signed by the receiver. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and that complete documentation be attached to fully explain the reason for the purchase. Cash advances to staff members for allowable IAF expenditures need to be monitored, expenses fully documented, and any unspent funds returned for deposit. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses for your approval at the beginning of the school year. These budgets should be monitored by your business office 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. 20-15). 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 several items of equipment were acquired using IAF that were not added to the school inventory, or the MCPS inventory and
affixed with barcodes, as required. We recommend responsible staff comply with property control procedures.

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 along with a completed MCPS Form 280-34, Remittance Slip. Although cash should be counted in the presence of the remitter, a receipt that is supported by the remittance slip should be issued promptly. We found instances in which there was a delay in the recording and issuance of receipts. We again found that some sponsors were holding funds collected rather than remitting them to the financial specialist on a daily basis. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected should be remitted to the financial specialist daily and promptly deposited (see MCPS Financial Manual, p. 7-4). In addition, all remittances on hand must be deposited before each weekend or holiday.

Fund-raising must conform to the Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser. We again found that there was a lack of adherence to these guidelines. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. Each fund-raiser should be approved by the principal in writing and the approval form retained in the school office. Although financial activities for each fund-raising activity are recorded in a separate account, a completion report should always be prepared that analyzes the results (see MCPS Financial Manual, p. 20-12).

Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, date 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 agent at the completion of each trip. The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. If substitute teachers are used, the IAF must reimburse MCPS for the cost from field trip funds collected. We again found that not all sponsors are providing completed data at the conclusion of each trip, and that data is not being compared to the final account reconciliation report. The cost of substitutes was not always reimbursed to MCPS. We recommend trip sponsors use MCPS Form 280-41, Field Trip Accounting, or its equivalent, for recording of trip fees, and provide complete data at the completion of each trip. We further recommend trip planning be reviewed to ensure established fees are commensurate with trip expenses and cost of substitutes be reimbursed to MCPS (see MCPS Financial Manual, p. 20-9).

All payments for personal services to MCPS employees must be processed through the MCPS payroll system using MCPS Form 280-46: Report of Payments to MCPS Employees for Personal Services. No school or activity should incur payroll costs without having sufficient resources to make payment. We found that an employee paid by the College Board for services as SAT Test Supervisor was paid an additional amount by the school for the same services. We were unable
to find any documented justification for the additional payments made by the school (see MCPS Financial Manual, p. 20-14).

Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise (see MCPS Financial Manual, p. 18). Our examination revealed that taxes were not collected on all items sold to students, and that not all taxes collected were remitted to the state. We recommend that the school comply with sales tax requirements.

Summary of Recommendations

- Monthly financial reports must be reviewed, signed, and dated by the principal to indicate review;
- Funds should not be transferred from an account without the principal’s and sponsor’s approval;
- Monthly account transaction statements must be provided to sponsors for affirmation of correctness and returned to the financial agent (repeat);
- Purchase requests must be approved by the principal prior to procurement (repeat);
- Purchase documentation must be adequate to support disbursements (repeat);
- Furniture and Equipment control must comply with MCPS Regulation EDC-RA (repeat);
- Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the financial agent (repeat);
- Fund raising must conform to Guidelines for Sponsoring an IAF Fund Raiser (repeat);
- 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);
- Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses;
- Payments to MCPS employees must always have hours justified; and
- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland (repeat).
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. Christopher Garran, associate superintendent of high 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. Garran
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen
### Fiscal Management Action Plan

**School:** Walt Whitman High School

**Principal:** Dr. Alan Goodwin  
**Date of approval:** 5/2/17

<table>
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<tr>
<th>Findings and Recommendations of School's Financial Report</th>
<th>Description of Resolution And Person(s) Responsible</th>
<th>Timeline</th>
<th>Evidence of Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Each month's financial report must be reviewed, signed, and dated by the principal to indicate review</td>
<td>The Business Administrator and Financial Specialist will meet twice monthly to review financial reports</td>
<td>April 2014</td>
<td>Completed and signed financial reports each month</td>
</tr>
<tr>
<td>Funds should not be transferred from an account without the principal's and sponsor's approval</td>
<td>The Business Administrator and Financial Specialist will seek appropriate signatures when transferring funds from an account</td>
<td>April 2014</td>
<td>Record of approved transfers</td>
</tr>
<tr>
<td>Monthly account transaction statements must be provided to sponsors for affirmation of correctness and returned to the financial agent.</td>
<td>The Financial Specialist will provide and then collect monthly transaction statements from all sponsors</td>
<td>April 2014</td>
<td>Processed account transaction statements from each sponsor</td>
</tr>
<tr>
<td>Purchase requests must be approved by the principal prior to procurement.</td>
<td>Business Administrator, Financial Specialist, and principal will instruct all staff about proper procedure, and principal will address any offenders. Requests will be forwarded to the principal for pre-approval.</td>
<td>May 2014</td>
<td>Record of pre-approval of purchases</td>
</tr>
<tr>
<td>Purchase documentation must be adequate to support disbursements.</td>
<td>The Business Administrator and Financial Specialist will maintain purchase documents that reveal adequacy to support disbursements. Reimbursement and approval will not be made without adequate documentation.</td>
<td>April 2014</td>
<td>File of purchase documentation</td>
</tr>
<tr>
<td>Furniture and equipment control must comply with MCPS Regulation EDC-RA</td>
<td>Business Administrator will work with MST and IT to be certain furniture and equipment have MCPS inventory barcodes.</td>
<td>May 2014</td>
<td>Inventory will reflect use of barcodes.</td>
</tr>
<tr>
<td>Payments to MCPS employees must always have hours justified</td>
<td>Timekeeper will check with Business Manager, Financial Specialist to justify hours for payment</td>
<td>April 2014</td>
<td>Record of hours-based payments</td>
</tr>
<tr>
<td><strong>Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the financial agent.</strong></td>
<td>Financial Specialist will work with sponsors to ensure funds are promptly remitted and will also ensure that funds will be held in office safe until processed.</td>
<td>May 2014</td>
<td>Record of deposited funds</td>
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<tr>
<td><strong>Fundraising must conform to Guidelines for Sponsoring an IAF Fundraiser</strong></td>
<td>The Business Administrator, Financial Specialist, and principal will explain guidelines to staff and students.</td>
<td>April 2014</td>
<td>Properly documented fundraisers</td>
</tr>
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<td><strong>Field trip records by sponsors must provide data to account for all students eligible to participate, reconcile collected funds, and be certain fees are commensurate with trip expenses</strong></td>
<td>The Business Administrator and Financial Specialist will re-educate staff about field trip procedures, monitor compliance, and involve principal in discussions with individual staff as needed.</td>
<td>May 2014</td>
<td>Records of field trips</td>
</tr>
<tr>
<td><strong>Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.</strong></td>
<td>The Financial Specialist will monitor taxable sales and remit tax to the Comptroller of Maryland</td>
<td>April 2014</td>
<td>Record of taxable sales and taxes paid</td>
</tr>
</tbody>
</table>

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