


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

September 20, 2012

MEMORANDUM

To: Mrs. Jennifer A. Baker, Principal
Walter Johnson High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2011, 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 14, 2012, with you, Mrs. Kathleen Cosgrove, business administrator, and Mrs. Virginia Howard, financial specialist, we reviewed the status of the conditions described in our prior audit report, and discussed further actions needed to strengthen the accountability for IAF resources. We noted that your appointment as principal was effective July 1, 2011, and that you had attended school finance training March 6, 2012. We further noted that Mrs. Cosgrove last attended training November 19, 2007, and that Mrs. Howard has not attended as yet. It is recommended that Mrs. Cosgrove attend again to receive updated information, and that Mrs. Howard attend for this first time as soon as possible. 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

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the financial specialist. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (see MCPS Financial Manual, p.7-4). As previously reported, some sponsors continue to hold fees collected rather than remitting them to the financial specialist on a daily basis. We also noted that the prior financial specialist was not always making deposits on the last working day of each month and before each weekend or holiday. To minimize the risk of loss, all funds collected should be remitted daily. We recommend staff be encouraged to submit cash and checks collected for IAF activities to the financial specialist for prompt deposit in accordance with MCPS policy and procedures.

The monthly bank statement reconciliation which is prepared by the financial specialist using the school accounting program should also be performed manually by a staff member independent of financial operations. You should compare both reconciliations to assure they are in agreement before signing, dating, and filing them with other monthly reports. Adding independent checking account reconciliation to the monthly report will strengthen internal controls (see MCPS Financial Manual, pp. 20-8, 20-25).

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 you at the time approval is sought. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses for your written approval at the beginning of the school year. These budgets should be monitored by your financial specialist and revised if necessary.

The use of personal credit cards is discouraged because purchases are not tax exempt and may accrue unearned benefits to the cardholder. The monetary value of any rewards received by the cardholder as a result of school purchases should be remitted for deposit into the school's IAF. During our audit, we found that one staff member was reimbursed for the purchase of 15 Kindles and another staff member for airline tickets. Although both of these purchases were large dollar amounts, we did not see evidence that rewards received from use of personal credit cards were remitted to the school (see MCPS Finance Manual, p. 20-7).

Equipment purchased with IAF becomes the property of MCPS and are subject to MCPS Regulation EDC-RA, *Control of Furniture and Equipment Inventory*. We noted that equipment purchased by the school had not been added to the MCPS inventory and affixed with barcodes. We recommend that staff review the regulation to ensure that equipment is properly coded and the inventory adjusted.

In accordance with the August 4, 2008, memorandum from the chief operating officer (COO), the expenditure of general funds to provide refreshments for staff meetings (IAF account 11) and staff appreciation (IAF account 20) was \$45 per staff FTE per fiscal year through June 30, 2012. You exceeded this allowable amount for fiscal year 2012. We found instances in which expenditures for these items were incorrectly classified and recorded in various accounts. Such commingling increases the time required to determine whether or not guidelines have been followed and decreases the value of your financial reports for decision making. We recommend you correctly classify and record these transactions for more accurate accountability as well as adhere to the guidelines from the COO. It should be noted that the April 16, 2012, memorandum from the COO increased the expenditure guideline from \$45 to \$60 per FTE effective FY 2013.

Admission receipts for athletic and non-athletic events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. Admissions must be controlled with 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 perpetual inventory of tickets. We noted poor accountability for tickets sold for homecoming, prom, and drama productions. Tickets were not always returned to the ticket controller and ticket reports were not always properly completed. Tickets sold on line and at the box office for drama productions could not be verified due to lack of records. We also noted that complimentary tickets were not properly recorded on MCPS Form 280-50 for accountability purposes. Athletic gate receipts were turned in to the report auditor prior to tickets being returned to the controller, eliminating the ability to reconcile unsold tickets to receipts. Athletic season tickets were being sold by the Booster Club on their website, which is prohibited (see MCPS Athletic Handbook p.27). We recommend that admission to all events be controlled in accordance with the above cited regulation.

Summary of Recommendations

- Funds collected must be promptly remitted by sponsors to the financial agent (repeat) and promptly deposited in the bank;
- Monthly independent checking account reconciliation must be performed (repeat);
- Expenditure of funds must be approved by the principal prior to procurement;
- Personal credit cards used to make school purchases that accrue benefits to the cardholder should be discouraged;
- Equipment transactions must comply with MCPS Regulation EDC-RA;
- Staff appreciation and meeting refreshment expenditures must be correctly classified and recorded with the combined total not exceeding a specified amount for a fiscal year without prior approval of the COO;

- Admission events must be conducted in accordance with MCPS Regulation DMB-RA; and
- Athletic season tickets may be offered for sale only by the school.

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, 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. Garran
Mrs. DeGraba
Mrs. Milwit
Mr. Doody

RECEIVED

OCT 11 2012

Attachment

Fiscal Management Action Plan

School: Walter Johnson High School

Principal: Jennifer Baker

Approved by community superintendent: 

Date of approval: 10/15/12

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Funds collected must be promptly remitted by sponsors to the financial agent, and promptly deposited in the bank.	All sponsors of IAF activities are instructed to deposit cash and checks on the date received. The principal, business administrator, and the financial specialist will continue to remind and encourage all sponsors to submit all money collected to the bank daily so the funds can be deposited on the same day.	Ongoing throughout FY 13 and beyond	Email reminders – see attached
Monthly independent checking account reconciliation must be performed.	The monthly bank statement will be prepared manually by the school business administrator.	Begin FY13	Completed and signed monthly statements.
Expenditure of funds must be approved by the principal prior to procurement.	The principal, business administrator, and the financial specialist will remind all staff that all purchases over \$200 must be pre-approved by the principal using MCPS form 280-54 or an email response from the principal approving the purchase. The email approval must be attached to MCPS form 280-54.	Ongoing throughout FY 13 and beyond	Email reminders – see attached
Personal credit cards used to make school purchases that accrue benefits to the cardholder should be discouraged.	Staff have been informed by the financial specialist that they are not to make purchases over \$250 with their personal credit cards.	Ongoing throughout FY 13 and beyond	Email reminder – see attached
Equipment transactions must comply with MCPS Regulation EDC-RA	The business administrator will work with staff when equipment is purchased to have that equipment barcoded and placed on the inventory list. We will also add equipment we currently own to the inventory list if it has not already been added.	Begin FY13	Inventory list will be complete

Staff appreciation and meeting refreshment expenditures must be correctly classified and recorded with the combined total not exceeding a specified amount for a fiscal year without prior approval of the COO.	The business administrator and financial specialist will use the correct FTE number to calculate the funds allowed to be spent on staff during FY13. We will also record expenditures only in IAF accounts 11 (staff refreshments) & 20 (staff appreciation). If we are going to exceed the amount specified for staff expenditures in FY13 we will request approval from the COO.	Ongoing throughout FY 13 and beyond	Account reconciliations for IAF accounts 11 & 20
Admission events must be conducted in accordance with MCPS Regulation DMB-RA.	The business administrator will make sure all ticket sales are controlled according to MCPS Reg DMB-RA using numbered tickets, and ticket accounting sheets signed by staff. Unsold tickets will not be destroyed. Reports will be filed for on-line tickets sales.	Ongoing throughout FY 13 and beyond	Ticket accounting forms & reports.
Athletic season tickets may be offered for sale only by the school.	The Boosters are no longer selling season passes and depositing funds in to their account.	Ongoing throughout FY 13 and beyond	Checks and cash collected for season ticket sales will be deposited directly in to the WJHS IAF account

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