


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

March 30, 2016

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, 2014, through November 30, 2015

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 16, 2016, 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 dated May 23, 2014, 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, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase. The purchaser must submit an invoice or other documented evidence of the acquisition, annotated to indicate satisfactory receipt of the goods or services, to the

financial specialist (see MCPS Financial Manual, pp. 20-6, 20-7). In our sample of disbursements, we found invoices were not always signed by the purchaser and some disbursements made without adequate documentation for the expenditure. We recommend that complete annotated documentation be attached to fully explain the reason for all purchases.

In accordance with the MCPS Financial Manual (p. 20-5), aggregate school expenditures for staff meeting refreshment and appreciation items may not exceed \$60 per full-time equivalent (FTE) per fiscal year without the prior written authorization from the chief operating officer (COO). We found that the FY 2015 aggregate expenditures for these items exceeded the allowable amount without approval of the COO. We also found instances in which expenditures for these items were recorded in accounts not designated for these purposes. Such commingling of expenditures increases the time required to determine compliance with guidelines and decreases the value of your financial reports for decision making. We recommend you accurately record these transactions to improve adherence to the guidelines.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card Users Guide*. By the fifth of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements must be printed and provided to the principal, with all purchase receipts and invoices attached. The principal must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. Transactions on the principal's cards are to be reviewed and approved by the associate superintendent. We found that some cardholders had not reviewed their transactions in the online reconciliation program. In addition, we found that the principal or designee had not approved all transactions online. Also, we noted that a staff member purchased gift cards with the purchasing card, a practice that is prohibited. We recommend compliance with requirements of the *MCPS Purchasing Card Users Guide*.

In order to properly control receipts, they should be remitted promptly to the financial specialist for joint verification, and a receipt issued to the remitter documenting the amount and source of funds. We found that original receipts had been retained in the business office rather than provided to remitters as required. In addition, receipts often indicated the name of a staff member rather than the actual source of funds. We noted that sponsors did not always remit funds promptly and sometimes used outdated versions of remittance slips. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual, pp. 7-3, 7-4.

Retail sales tax must be collected by the school and remitted to the Comptroller of Maryland for all sales of taxable merchandise. Taxable merchandise includes athletic resale items, fund-raiser items, yearbooks, and other items that become the personal property of the individual making the purchase (see MCPS Financial Manual, p. 18-2). We found that sales tax was not collected and remitted for athletic student purchases and several fund-raiser items, but was overpaid for the yearbook activity. In addition, sales tax was not factored into the selling price for some T-shirt fund-raisers resulting in a loss rather than a profit. We recommend advising sponsors of items

that require the collection of sales tax in order for them to set selling prices accordingly so as not to generate a loss for the activity.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. For several fund-raisers in our sample, the completion reports submitted at the conclusion of the activity did not fully evaluate results. Proceeds were sometimes transferred to benefiting accounts before completion reports were prepared or reviewed. In addition, we noted that school funds were donated to a charity without advertising funds were being raised for that purpose, and the school held a raffle, which is prohibited. When submitting fund-raiser requests, sponsors should also provide to the business office brochures, pricelists, or other informational items to estimate profitability of the activity and to evaluate the results at its conclusion. A completion report for an activity involving the sale of items should include the total number of items for sale, selling prices, and any remaining inventories to determine whether all funds collected were remitted to the financial specialist. Proper internal control procedures provide for accountability of funds raised and an evaluation of the results at the conclusion of the activity (see MCPS Financial Manual, pp. 20-12, 20-13).

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 of field trips should have a complete class roster of student names to annotate the amount each student paid, eligible students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. 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. 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 (see MCPS Financial Manual, p. 20-10).

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 that required signatures were sometimes missing from ticket reports. Prom tickets were delivered directly to the sponsor rather than the ticket controller, and tickets for the fashion show were made and numbered by hand. Many admission events were not controlled by tickets, and for one event, the same color ticket was used for two different prices. Event accounts did not conform to the standard chart of accounts, and event expenses were sometimes recorded in class or club accounts. The perpetual ticket inventory documented tickets issued for each event, but did not show tickets returned, so it was unclear if tickets were returned with cash receipts to the report auditor, or if the beginning ticket number returned is compared to ticket reports or the inventory at the conclusion of the event. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events, that all tickets be serially

numbered and issued by the ticket controller for each admission event, and that a perpetual inventory indicating tickets issued and returned, is maintained.

In accordance with MCPS Regulation EGD-RA, *Telephone Services and Costs*, MCPS provides cellular service to employees whose job responsibilities regarding the health and safety of students and staff require immediate communications and decision making, increase productivity, and/or increase service to the public. In our previous audit, we noted that IAF funds were used to provide service to several employees enrolled in a service plan that allowed each phone a high number of voice minutes, text messaging, and broadband data service. School administration was not routinely receiving detail from the service provider to analyze voice, text, or other data usage. Although data plans were removed from some of the phones, we found that the school continued to pay for two phones that did not appear to be in use, and that detailed usage reports had not been obtained from the service provider to analyze usage by employees. We again recommend that the school routinely monitor the service plan and usage to assure compliance with the above cited MCPS regulations, and that the equipment and service plan meet the goal of the school's educational and business purposes at the most cost-effective price.

The February 9, 2015, memorandum from the chief operating officer (COO), *External Exam Fee Reductions/Waivers for Fiscal Year 2015 and Use of Funds to Support Implementation of External Exams*, provided guidelines to account for fees and waivers, and to compensate staff for work done outside the employee's duty day. In our review of school records, we noted a shortfall of approximately \$2,000 in expected receipts for the 2015 Advanced Placement (AP) exam activity. It did not appear that the activity had been analyzed or that staff had noted the shortfall. In addition, the total hours paid for coordination of the AP exam activity exceeded the maximum of 125 hours allowed. We recommend compliance with exam guidelines and an analysis at activity conclusion to ensure the school collected all funds due.

Summary of Recommendations

- Purchaser must submit adequate documentation with confirmation of receipt of goods or services prior to disbursement;
- Staff appreciation and meeting refreshment aggregate expenditures may not exceed \$60 per FTE per fiscal year without prior approval of the COO;
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*;
- Funds collected by sponsors must be promptly remitted (repeat) with current version of MCPS Form 280-34 to the financial specialist and receipt promptly issued;
- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland;
- Fund-raising must conform to *Guidelines for Sponsoring an IAF 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 (repeat);
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA (repeat);
- Cellular service should be provided in accordance with MCPS Regulation EGD-RA (repeat); and
- External exam procedures must comply with MCPS guidelines.

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. Debra Munk, director of high schools. The Office of School Support and Improvement will follow up on this audit.

RWP:DKH:sd

Copy to:

Dr. Zuckerman
Dr. Statham
Dr. Navarro
Dr. Williams
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit
Dr. Munk

Fiscal Management Action Plan

School: Walter Johnson High School

Principal: Jennifer Baker

Approved by associate superintendent: _____

Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Purchaser must submit adequate documentation with confirmation of receipt of goods or services prior to disbursement	The business administrator and financial specialist will work with staff to assure they confirm receipt of all items listed on invoice(s) turned in with MCPS Form 280-34	ongoing	Invoices will be signed and dated for receipt of items ordered
Staff appreciation and meeting refreshment aggregate expenditures may not exceed \$60 per FTE per 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. 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 FY16 we will request approval from the COO.	FY16 - ongoing	Account reconciliations for IAF accounts 11 & 20
Purchase card activity must comply with the MCPS Purchasing Card User's Guide	Staff using school purchasing cards will reconcile accounts online and turn in monthly statements by the 5 th of the following month with receipts and invoices attached.	FY16 - ongoing	Monthly statements
Funds collected by sponsors must be promptly remitted with current version of MCPS form 280-34 to the financial specialist and receipt promptly issued	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. Staff are now receiving a receipt from the financial specialist for their deposit.	ongoing	Email reminders, receipts given to staff, current remittance forms will be used and filled out properly.
Tax must be collected on taxable sales and remitted to the Comptroller of Maryland	The financial specialist has worked with auditors to put the correct process in place to collect tax on all taxable sales, and will work with staff sponsors to ensure tax is collected on taxable sales.	FY16 - ongoing	Tax will be collected on taxable sales items and remitted to the Comptroller of Maryland . Fundraisers should show a profit.

Fundraising must conform to Guidelines for Sponsoring an IAF Fundraiser	Funds collected from fundraisers will remain in account until all expenses have been paid. Funds can then be transferred/paid to benefactor of the fundraiser. Completion reports will include information for sales prices, and inventories to show a more accurate accounting of the fundraiser	FY16 - ongoing	Fundraiser requests and completion forms will be complete and accurate.
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	The financial specialist will work with staff sponsoring field trips to have complete class lists turned in showing who attended, who paid/how, and who required a waiver.	FY16 - ongoing	Complete and accurate field trip packets.
Admission events must be conducted in accordance with MCPS Regulation DMB-RA	Business administrator will distribute only pre-numbered tickets for all events. All ticket accounting forms will be signed when returned. Funds will be deposited directly in to the activity for which the tickets have been sold.	ongoing	Accurate/signed ticket accounting forms.
Cellular service should be provided in accordance with MCPS Regulation EGD-RA	We currently only have 6 cell phones (5 security and 1 ITSS) The business administrator will use Sprint online to review staff use of issued phones	FY16 - ongoing	Monthly cell phone statements
External exam procedures must comply with MCPS guidelines	The business administrator will collect record of time worked by AP co-coordinators showing hours worked and why. Principal will request approval from COO if we see that we will exceed the maximum of 125 hours allowed for coordination of AP exams.	FY16 - ongoing	

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