


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

March 1, 2013

MEMORANDUM

To: Ms. Eugenia S. Dawson, Principal
Earle B. Wood Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
August 1, 2011, through January 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 February 26, 2013, with you, and Mrs. Robin McCue, financial specialist, we reviewed the status of the conditions described in our prior audit report dated October 3, 2011, 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

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. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our random sample of disbursements, we again found prior approval was not obtained when required for most purchases. Many disbursements did not have adequate documentation to fully explain the reason for the expenditure, 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.

We again found, staff collecting funds who were holding rather than remitting them timely to the financial specialist. Remittances received should, in turn, be promptly deposited into the school's bank account. Large and infrequent deposits increase the possibility of loss of funds as well as decrease the school's ability to fund activities. 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.

Review of field trip activities again 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. The comprehensive information should include the student names of all who are eligible to participate in the trip annotated with the amount each student paid, those students who did not participate, and students who received waivers, scholarships or reduced fees to provide assurance that all field trip fees have been remitted. We also noted many field trips where fees collected exceeded the cost of the trips. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above. We further recommend that the process for calculating the cost of future trips be reviewed so that fees charged to participants align more closely with the actual cost of the trips (see MCPS Financial Manual, p. 20-9).

Fund raising at the school 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 ability to evaluate the results at the conclusion of the event. Each fund raiser should be documented by advance written principal approval retained in the school office. Financial activities for each fundraiser should be recorded in a separate account with a completion report prepared that analyzes the results (see MCPS Financial Manual, p. 20-11).

Sales of PE uniforms should comply with the requirements outlined in the *Handbook for the Operation of School Stores*. We again noted some weaknesses in the accounting process for the sale of uniforms that included the inability to reconcile funds collected from students to the records of sales. To improve controls, we recommend documenting uniform sales on a spreadsheet that can be reconciled to account activity recorded in the general ledger. In addition to recording purchases and sales, inventory records should be adjusted for giveaways and for garments that become damaged or obsolete. The accuracy of these records should be verified at least annually by comparing them to a physical count of the actual inventory items. The inventory items should be secured at all times, and with restricted access to lessen the likelihood of a loss.

Summary of Recommendations

- Expenditure of funds must be approved by the principal prior to procurement (repeat);
- Adequate documentation must be provided to support disbursements (repeat);
- Funds collected by sponsors must be promptly remitted to the financial specialist for timely deposit to the bank (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;
- Fund raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser* (repeat); and
- Physical Education uniform sale and inventory processes should comply with the requirements outlined in the *Handbook for the Operation of School Stores* (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. Donna S. Hollingshead, 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. Hollingshead
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen



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Eugenia S. Dawson
Principal


Matthew Freiman
Assistant Principal

Traci L. Townsend
Assistant Principal

March 20, 2013

MEMORANDUM

To: Mr. Roger W. Pisha, Supervisor
Internal Audit Office

From: Eugenia S. Dawson, Principal 

Subject: Response to Report on Audit of Independent Activity Funds for the Period
August 1, 2011, through January 31, 2013

I appreciate the recommendations made by your staff during our meeting on February 26, 2013.

We have addressed the issues brought to our attention and plan to implement the following to improve our financial protocols:

- To improve disbursement of IAF funds we have instructed staff that they must get approval in writing prior to proceeding with any purchase. We have stressed the need for adequate documentation to fully explain the reason for any purchase and stressed that invoices must be signed by the purchaser to indicate satisfactory receipt of goods.
- All staff has been reminded that school funds must be remitted to the financial specialist in a timely manner. All funds will be deposited daily by the financial specialist.
- Field trip sponsors will maintain complete records of each field trip to include student names, the amount each student paid, students who did not participate and those who received waivers, scholarships or reduced fees. Each sponsor will submit complete data to the financial specialist. Field trip accounts will be reconciled. Field trip planning will be reviewed with staff to ensure established fees are commensurate with trip expenses.
- Fund raisers will be approved by me in writing. Financial activities for each fundraiser will be recorded in a separate account with a completion report that will analyze the results. Fundraising will conform to the *Guidelines for Sponsoring an IAF Fundraiser*.
- Admission receipts will be signed by the admission manager and the perpetual ticket inventory will be regularly updated. Control responsibilities will be reviewed with the admissions manager of each event.

- The process of PE uniform sales will be improved by ensuring that inventory is secured at all times, and by creating a spreadsheet that will allow us to record and reconcile the account. Care will be taken to adjust the record to reflect sales, purchases, giveaways, and damaged or obsolete garments. Physical Education uniform sale and inventory processes will comply with the requirements outlined in the *Handbook for the Operation of School Stores*.

We appreciate your time and thank you for your advice, as well as that of Ms. M.J. Bergstresser, who conducted the audit and provided invaluable assistance to our school financial specialist, Ms. Robin McCue.

ESD:rtm

Copy to:

Dr. Hollingshead

Ms. McCue