


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

June 24, 2014

MEMORANDUM

To: Dr. Traci L. Townsend, Principal
Earle B. Wood Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
February 1, 2013, through April 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 June 19, 2014, with you and Ms. Myrian Fuentes, financial specialist, we reviewed the status of the conditions described in our prior audit report dated March 1, 2013, and the status of present conditions. It should be noted that your appointment as principal and selection of Ms. Fuentes as financial specialist were both effective July 1, 2013. 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

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account statement for each month in which transactions have been recorded in their

accounts and be required to verify that transactions have been correctly recorded. We found some sponsors did not return these statements. We recommend a procedure be established to require sponsors to review their respective statements, resolve any discrepancies in their accounts, sign and return them to the financial specialist (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. 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 prior approval was not consistently obtained. Some 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.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Completion reports were not always prepared. Some available completion reports did not include the total number of items for sale, selling prices, or remaining inventories, thus it was not possible to assure whether all sums collected were remitted to the financial specialist. None were signed by the principal. Following internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event.

Admission receipts for athletic and non-athletic events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. We found that MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, was used merely to list tickets sold and not as a reconciliation of tickets issued to tickets returned and recorded receipts. The report was not always signed to indicate a separation of duties. A perpetual ticket inventory was not maintained. We recommend that admission to all events be controlled in accordance with the above cited regulation.

Summary of Recommendations

- Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the financial specialist;
- Purchase requests must be approved by the principal prior to procurement;
- Adequate documentation must be provided to support disbursements;

- Purchase documents must be annotated to indicate satisfactory receipt of goods or services;
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund-Raiser*; and
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Ms. Fuentes. 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

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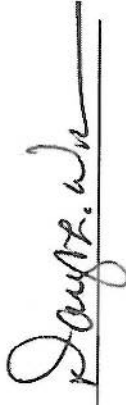
Mr. Bowers
Dr. Statham
Dr. Schiavino-Narvaez
Mr. Sanderson
Dr. Williams
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

Fiscal Management Action Plan

School: Earle B. Wood MS

Principal: Traci L. Townsend

Approved by associate superintendent:



Date of approval: 8/4/14

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the financial specialist.	We will implement a procedure to ensure that each sponsor of a school activity reviews his/her monthly statement, resolves any discrepancies, and returns a signed copy to the school financial specialist (SFS). Principal, School Financial Specialist, Sponsors	Begin September 2014 throughout school year	Meeting held in September Signed copies of monthly statements logged/maintained by SFS.
Purchase requests must be approved by the principal prior to procurement	All staff will receive directions explaining that purchase requests (Form 280-54) must have prior approval, will include a complete explanation for the expenditures, and will be signed by the receiver. Principal, School Financial Specialist, Staff	August 2014 throughout school year	Agenda item on pre-service meeting Dates on purchase requests (form 280-54) will show prior approval based on the date requested.
Adequate documentation must be provided to support disbursements. Purchase documents must be annotated to indicate satisfactory receipt of goods or services.	Staff will be informed that all purchases require proper documentation that shows a detailed list of items or services that have been received. School Financial Specialist	August 2014 throughout school year	Agenda item at pre-service meeting All purchases will have receipts with specific items.
Fund-raising must conform to Guidelines for Sponsoring an IAF Fundraiser.	Fundraiser sponsors will prepare completion reports for each event. These reports will include the total number of items for sale, the selling price, and any remaining inventory. The reports will be submitted to the financial specialist and I will sign each report.	Begin September 2014 throughout school year	Meeting held in September Completed fundraiser paperwork submitted to SFS

Admission events must be conducted in accordance with the MCPS Regulation DMB-RA.	Principal, School Financial Specialist, Sponsors	Begin September 2014 throughout school year	Meeting held in September Signed copies of form 280-50 will be logged/maintained by SFS.
	Admission receipts will be better controlled by ensuring a reconciliation of tickets issued to tickets returned. In addition, Form 280-50, <i>Tickets and Cash Report of Admissions Manager</i> , will be signed.		
	School Financial Specialist, Sponsors		

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