


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

February 28, 2014

MEMORANDUM

To: Mr. Samuel A. Rivera, Principal
Springbrook High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2012, through November 30, 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 January 24, 2014, with you, Mrs. Margaret Grasso, business administrator, and Ms. Joni Aloï, substitute financial specialist, we reviewed the status of the conditions described in our prior audit report dated August 28, 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

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 again found prior approval was not consistently obtained. 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 the principal at the time verbal approval is sought, and that complete documentation be attached to fully explain the reason for the purchase. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses, and obtaining your approval at the beginning of the school year. These budgets should be monitored by your financial specialist and revised if necessary.

Equipment purchased with IAF become 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 policy to ensure that equipment is properly coded and the inventory adjusted.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted to the financial specialist together with MCPS Form 280-34, *Remittance Slip*, on the day the funds are received. We again found instances in which some staff collecting funds were holding rather than remitting them timely to the financial specialist. We recommend that all staff who collect funds for school activities be reminded of remittance requirements (see MCPS Financial Manual p. 7-4). We also noted that the financial specialist was collecting transcript and exam fees from students. A primary internal control over the handling of funds is the separation of duties to ensure that no one person controls all aspects of a process from start to finish. The involvement of at least two persons in any process enhances its integrity since each one acts to verify the accuracy of the work performed by the other (see MCPS Financial Manual p. 7-3).

The yearbook sponsor is required to keep detailed records of the number of books sold, the price charged, and the number of books distributed free of charge (see MCPS Financial Manual, p. 20-11). The incomplete records maintained by the yearbook sponsor did not enable us to reconcile the beginning inventory of books purchased with the number sold, distributed free of charge, and the ending inventory. Therefore, we were again unable to determine that all funds generated from this activity had been remitted. We recommend the yearbook sponsor receive instruction pertaining to the proper record-keeping required for this activity.

The *Handbook for the Operation of School Stores* provides instruction and guidance for the operation of MCPS school stores, including internal controls over cash (see pp. 6, 7). We found that receipts from school clothing sales were recorded with food sales, making it impossible to determine the actual amount of sales for each. The profit and loss statement prepared for clothing sales indicated a profit when in fact this activity incurred a loss. We recommend that a

profit and loss statement be properly prepared at the end of the school year and reviewed for accuracy. We also noted that the school store sold outside of the allowable time period snack items that did not meet nutritional requirements. We recommend review of MCPS Regulation JPG-RA, *Wellness Physical and Nutritional Health*, for allowable items and sale time period.

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, MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and a perpetual inventory of tickets. Some weaknesses found include the lack of a perpetual inventory of tickets, a change fund not recorded in the proper account, and use of the same ticket for different admission prices at the same event. We also noted that ticket sellers for non-athletic events did not always return all unsold tickets, making it impossible to reconcile tickets sold to money collected. 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, and that a perpetual inventory is maintained. We also recommend change fund usage be brought into compliance with requirements (see MCPS Financial Manual, p. 7-6).

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (repeat);
- Budgets must be monitored to compare income and expense projections to actual results;
- Equipment transactions must comply with MCPS Regulation EDC-RA;
- Funds collected by sponsors must be promptly remitted using MCPS Form 280-34 to the financial agent for timely deposit to the bank (repeat);
- Yearbook records must be sufficient to reconcile all books ordered, sold and remaining in inventory (repeat);
- School clothing sale and inventory processes should comply with the requirements outlined in the *Handbook for the Operation of School Stores*;
- Food and beverage items available to students outside the school meals program should comply with MCPS Regulation JPG-RA; and
- Admission events must be controlled to account for total tickets sold and unsold.

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 S. 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



Springbrook High School *An IB World and Information Technology School*

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Samuel A. Rivera, *Principal*


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March 28, 2014

MEMORANDUM

To: Roger W. Pisha, Supervisor
Internal Audit

From: Samuel A. Rivera, Principal 

Subject: Report on Audit of Independent Activity Funds for the Period May 1, 2012
Through November 30, 2013

Thank you for meeting with Ms. Christine Grasso, business administrator, Ms. Joni Aloï, substitute financial specialist, and myself regarding the condition of our financial records and further actions needed to strengthen the accountability for IAF resources.

Please find attached Springbrook's Fiscal Management Action Plan. If you have any questions or further suggestions, please contact either myself or Ms. Grasso.

Attachment

mcg

Copy to:

Dr. Christopher Garran, Associate Superintendent of High Schools

RECEIVED

APR 07 2014

Fiscal Management Action Plan

School: SPRINGBROOK HIGH SCHOOL

Principal: Samuel A. Rivera

Approved by community superintendent: Date of approval: 4/1/14

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Purchase Request Approval	All purchases will be approved in advance in writing by the principal and financial specialist. The purpose of the expenditure will be explicit with appropriate documentation attached prior to approval including signed received. (School Business Administrator, Financial Specialist and Principal) Appropriate staff/sponsors will be helped to prepare annual budgets. Yearbook and Spring Musical budgets already in place for FY2014. (School Business Administrator, Financial Specialist and Principal)	March 2013 FY2015	MCPS Form #280-54 in full compliance Annual Budgets for Drama Club Musical, Yearbook, Athletics and Senior Class.
Equipment Inventory	Review of MCPS Regulation EDC-RA, <i>Control of Furniture and Equipment Inventory</i> . (School Business Manager, Financial Specialist, and Principal). School Business Administrator working with John Ricketts (DMM) to bring equipment inventory up-to-date and barcoded.	FY2014	Up-to-date inventory and all new purchases properly inventoried and barcoded.
Remittance of Funds	Continue to remind staff of the expectation of daily depositing of collected funds. Continue to send to sponsors of field trips, fundraisers, school store, etc. Springbrook Accounting Procedures/Guideline documents to reinforce security of funds and daily deposits. (School Business Administrator, Financial Specialist and Principal) Financial agent as of November, 2013 no longer collects transcript and/or exam fees from students. (School Business Administrator, Financial Specialist and Principal)	ongoing November 2013	Accounting Procedures/Guidelines sent to any staff collecting funds. No collection of college transcript or exam fees by Business Office.
Yearbook Records	SBA working with new permanent yearbook	March 2014	A complete inventory of all previous

	advisor/journalism teacher (substitute all FY 2013) for better maintenance of inventory/recordation. (School Business Administrator, Financial Specialist and Principal)		yearbooks and price in stock has already been completed
School Store	School Store Sponsor provided a copy of the <i>Handbook for the Operations of School Stores</i> for review and guidance in the operation of the school store. School store sponsor asked that sales for clothing and food be submitted separately to better determine actual amount of sales for each. A memorandum sent to school store sponsor to remind him of noncompliant food sales requirements. (School Business Administrator, Financial Specialist and Principal)	March 2014	Remittance of school store sales for clothing and food sales done separately and receipted in SFO separately. No noncompliant food sales outside of allowable time period.
Admission Ticket Control	New Financial Specialist (as of April 2014) and School Business Administrator will review current weaknesses and create a perpetual ticket inventory and written instructions for ticket pricing, numbering accuracy and unsold ticket return for all ticket sellers. (School Business Administrator, Financial Specialist and Principal)	FY 2014	Compliance with serially numbered tickets, separation of duties, MCPS Form 280-50 for tracking and reconciling sales, and a perpetual ticket inventory.

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