


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

October 22, 2014

MEMORANDUM

To: Mr. Evan J. Pinkowitz, Principal
Belmont Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2011, through August 31, 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 October 14, 2014, with you, and Ms. Nicole Butler, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated April 11, 2011, and the status of present conditions. It should be noted that your appointment as principal was 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

Transfers between general ledger accounts may be made only after MCPS Form 281-46, *IAF Transfer*, has been executed by both the account sponsor and the principal. We found instances when transfer request forms had not been signed as required, and instances in which transfers were executed without the preparation of a request form. To improve internal controls, we recommend the administrative secretary be instructed to execute transfers only according to requests approved by the principal (see MCPS Financial Manual, p. 20-10).

Cash and checks collected by sponsors and other authorized individuals for IAF activities must be remitted to the administrative secretary on the day they are received, and must be accompanied by MCPS Form 280-34, *Remittance Slip*. We found instances in which staff collecting funds for field trips were holding funds rather than remitting them timely to the administrative secretary (see MCPS Financial Manual p. 7-4). We recommend that all staff who collect funds for school activities be reminded of remittance requirements.

Sponsors of school activities involving the collection or disbursement of IAF should be provided an account history report each month in which transactions have been recorded in their account and or have a balance. We again found this essential internal control procedure was not always being used. We noted that the administrative secretary did not routinely provide sponsors with monthly account history report when required. We recommend sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the statements should be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all statements are reviewed and returned (see MCPS Financial Manual, p. 20-9).

Summary of Recommendations

- Funds should not be transferred from an account without the principal's approval;
- Funds collected by sponsors must be promptly remitted to the administrative secretary; and
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary (repeat).

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Ms. Butler, which greatly facilitated our audit. 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. Myra J. Smith, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:GB:sd

Copy to:

Mr. Bowers
Dr. Navarro
Dr. Statham
Mr. Sanderson
Dr. Smith
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

Fiscal Management Action Plan

School: Belmont Elementary School

Principal: Evan Pinkowitz



Approved by community superintendent:

Date of approval: 4/12/14

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Funds were transferred from accounts without Principal's approval	Principal will meet weekly with administrative secretary to prepare and sign Form 281-46, <i>LAF Transfer</i> , upon approval	Weekly meeting	Completed and signed transfer forms
Funds collected by sponsors were not promptly remitted to the administrative secretary	Principal will meet bimonthly with administrative secretary to review sponsor records. Staff will receive additional trainings, as well as, written expectations for collection of funds	Bimonthly meeting November staff meeting	Completed Remittance Slips
Monthly account history reports were not provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary	Administrative secretary will obtain sponsor signatures on account history reports indicating report accuracy has been verified by the sponsor Principal will meet monthly with administrative secretary to review sponsor signed account history reports	Monthly Monthly meeting	Signed account history reports

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