


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

June 6, 2016

MEMORANDUM

To: Mr. Rock A. Palmisano, Principal  
Carderock Springs Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
April 1, 2013, through March 31, 2016

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 May 20, 2016, with you, and Ms. Carol Meyer, administrative secretary, we reviewed the status of our prior audit report dated May 9, 2013, 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

Checks that are not cashed by their payees are considered abandoned property and, by law, belong to the state. Schools are required to remit uncashed IAF checks to the Division of Controller (DOC) during the annual escheatment process for inclusion in the annual MCPS filing

to the state of Maryland (see MCPS Financial Manual, pp. 18-1, 18-2). We noted a few uncashed checks that had been voided rather than reported to the DOC. We recommend the procedures for escheatment, outlined in Appendix I of Chapter 20 of the MCPS Financial Manual and annual DOC instructions, be followed.

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. 20-4). 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, and upon disbursement stamped or marked "Paid." In our sample of disbursements, we found prior approval was not consistently obtained. Invoices were not signed by the receiver, and documentation was not always marked or stamped "Paid." By requiring written prior approval, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff with an estimate of expenditure amount and signed by you at the time verbal approval is sought.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the administrative secretary with MCPS Form 280-34, *IAF Remittance Slip*, on the same day they are received to minimize the risk of loss or theft. The funds should be verified in the presence of the remitter, and a receipt should be issued promptly. In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and either place the sealed envelope in the business office safe or receive written acknowledgement that it was provided to the administrative secretary. Verification of these funds will be conducted in the presence of the remitter as soon as possible thereafter. We found that some sponsors were holding funds collected rather than remitting them to the administrative secretary on a daily basis. Remittances were not always promptly deposited into the school's bank account. Also, there was no process for securing funds when the administrative secretary was unable to verify them. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual, pp. 7-3, 7-4. To reduce the workload of using cash handling requirements for sponsors and administrative secretary, we further recommend using Online School Payment (OSP).

The review of field trip activities revealed that not all field trip sponsors are providing completed financial information to the administrative secretary 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 administrative secretary when a trip is completed (see MCPS Financial Manual, p. 20-9). The record of names of participants and funds collected strengthens internal controls by enabling the reconciliation of receipts to entries recorded in the field trip account. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above.



Summary of Recommendations

- Uncashed checks must be remitted to the state, in accordance with MCPS escheatment process;
- Purchase requests must be approved by the principal prior to procurement;
- Purchaser must confirm receipt of goods or services prior to disbursement;
- Invoices and receipts must be annotated as “Paid” to indicate disbursement was made;
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the administrative secretary;
- Funds remitted must be promptly deposited in the bank by the administrative secretary;
- Cash handling by sponsors and administrative secretary can be reduced using OSP; and
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with cost of the trip.

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 Mr. Matthew Devan, director of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:AMB:sd

Copy to:  
Dr. Zuckerman  
Dr. Statham  
Dr. Navarro  
Dr. Kimball  
Mrs. Chen  
Mrs. DeGraba  
Mr. Devan  
Mrs. Milwit

# *Carderock Springs Elementary School*

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*Office of the Principal*

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## MEMORANDUM

To: Roger W. Pisha, Supervisor, Internal Audit

From:  Rock A. Palmisano, Principal  
Carderock Springs Elementary School

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- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with cost of the trip.

Mrs. Carol M. Meyer, administrative secretary, and I met on May 20, 2016 with Alan Butler who conducted the audit to discuss his recommendations. Subsequent to that I met with Carol M. Meyer to review the recommendations and to make sure they were implemented/followed.

Copy to:  
Mr. Devan