


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

June 19, 2013

MEMORANDUM

To: Mrs. Jody L. Smith, Principal
Chevy Chase Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2009, through March 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 June 10, 2013, with you and Mrs. Vickie Krehbiel, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated December 18, 2009, 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, *Independent Activity Funds 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 random sample of disbursements, prior approval was not consistently obtained. By requiring prior approval, 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 so that invoices or receipts bear a date subsequent to the approval date.

While purchases using the MCPS purchase card do not require pre-approval using Form 280-54, each purchase must be supported by a receipt which confirms that goods or services have been received, must be recorded on a monthly log that has these receipts attached, and the log must be approved and signed by the principal. A principal's purchase card documentation must be forwarded to the respective community superintendent for approval. We found that these procedures were generally in accordance with requirements except for consistent approval obtained from the community superintendent for the principal's purchases (see the MCPS *Purchasing Card User Guide* or *Principals Handbook*).

Summary of Recommendations

- Expenditure of funds must be approved by the principal prior to procurement (repeat); and
- Purchase card transactions of the principal must be reviewed and approved by the respective community superintendent.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Mrs. Krehbiel, 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. Christopher S. Garran, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:RM:sd

Copy to:

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

RECEIVED

JUN 20 2013

Attachment

Fiscal Management Action Plan

School: Chevy Chase Elementary School

Principal: Jody L. Smith

Approved by community superintendent: [Signature]

Date of approval: 6/20/13

| Findings and Recommendations of School's Financial Report | Description of Resolution And Person(s) Responsible | Timeline | Evidence of Completion |
|----------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------------------------------------------------------------------------------------------------------------------------------------|
| Expenditure of funds must be approved by the principal prior to procurement | Though Form 280-54 were signed and dated for prior approval, the (4) invoices did not have dates on them. We will make sure all invoices or receipts have a invoice date. Principal and Administrative Secretary | Immediate | All Forms 280-54 that have been pre-approved by the principal will have a dated invoice double-checked by the administrative secretary. |
| Purchase card transactions of the principal must be reviewed and approved by the respective community superintendent | The administrative secretary will be consistent in sending the American Express log for the principal's purchases monthly. | Immediate | Principal will follow up monthly on the AMEX log sent to the Community Superintendent. |
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