


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

June 8, 2012

MEMORANDUM

To: Ms. Sherri Gorden, Principal  
Cresthaven Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
November 1, 2010, through March 31, 2012

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 5, 2012, with you and Miss Sherrill Marty, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated January 19, 2011, 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. It should be noted that eight months of the audit period under review were prior to your appointment as principal on July 1, 2011.

Findings and Recommendations

Payments to independent contractors may be made only after IRS Form W-9 has been obtained. Such payments must be reported monthly to the Division of Controller (DOC) using MCPS Form 280-47A, *Independent Activity Funds*, as described in MCPS Regulation DIA-RB, *Payments for Personal Services and Reimbursements for Expenses from School Independent Activity Funds (IAFs)*. Among your disbursements, we found that payments for services to a contractor were not reported to

the DOC. We recommend that payments for personal services be made and reported in compliance with the applicable regulations and procedures (see MCPS Financial Manual, p. 20-13).

MCPS purchasing card members must record purchases on transaction logs and submit them monthly with invoices and receipts attached for review and approval by the principal. We found that logs with receipts and invoices attached for principal review and approval had not been maintained for a prolonged period of time. We recommend purchasing card members be required to comply with the requirements of the MCPS *Purchasing Card Users Guide*.

Cash and checks collected by sponsors and other authorized individuals for IAF activities must be remitted with MCPS Form 280-34, *Remittance Slip*, to the administrative secretary on the day the funds are received. We found instances in which staff collecting funds for field trips, school store, and yearbooks 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.

We noted instances in which the administrative secretary was holding money in excess of permitted amounts by not making timely deposits. Large and infrequent deposits increase the risk of loss of funds, and diminish the schools ability to fund activities. All remitted funds on hand must be deposited before each weekend or holiday regardless of amount (see MCPS Financial Manual, chapter 7, pp. 2-5).

#### Summary of Recommendations

- Independent contractor payments must be reported monthly to the DOC;
- Purchase card transactions must be documented, reviewed, and approved by the principal;
- Funds collected must be promptly remitted by sponsors to the administrative secretary; and
- Funds received from sponsors must be promptly verified and deposited by the administrative secretary.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Miss Marty, 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 Smith, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:GB:sd

Copy to:

Mr. Bowers  
Dr. Lacey

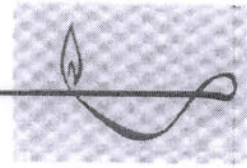
Mr. Talley  
Dr. Smith

Mrs. DeGraba  
Mrs. Milwit

Mr. Doody

# Cresthaven Elementary School

1234 Cresthaven Drive • Silver Spring, Maryland 20903 • 301-431-7622



Office of the Principal

July 23, 2012

## MEMORANDUM

To: Dr. Myra Smith, Community Superintendent  
Office of School Support and Improvement

From: Sherri Gorden, Principal

Subject: Response to Report on Audit of Independent Activity Funds for the Period  
November 1, 2010, through March 31, 2012

The purpose of this memorandum is to respond to the recommendations of the Audit Report for Cresthaven Elementary School for the period of November 1, 2010, through March 31, 2012. The following recommendations were made:

1. Independent contractor payments must be reported monthly on the DOC.
2. Purchase card transactions must be documented, reviewed, and approved by the principal.
3. Funds collected must be promptly remitted by sponsors to the administrative secretary.
4. Funds received from sponsors must be promptly verified and deposited by the administrative secretary.

The following steps will be implemented to comply with the auditor's recommendations:

**Recommendation 1:** Independent contractor payments must be reported monthly on the DOC.

**Response:** In the event that an independent contractor is used the DOC form will be sent promptly to the Division of the Comptroller. We do not anticipate that this will be a regular practice.

**Recommendation 2:** Purchase card transactions must be documented, reviewed, and approved by the principal.

**Response:** I have consulted with the administrative secretary to alert her of the mandate requirement of purchase card transactions being approved monthly. We have established a monthly protocol to ensure compliance.

**Recommendation 3:** Funds collected must be promptly remitted by sponsors to the administrative secretary.

**Response:** All staff members have been advised that they must remit all funds daily to the administrative secretary. This policy has been given to all staff in writing and is reviewed regularly, specifically when field trips and/or fund raiser events occur.

**Recommendation 4:** Funds received from sponsors must be promptly verified and deposited by the administrative secretary.

**Response:** The administrative secretary will receive and verify all fund amounts and will make daily deposits as necessary to ensure compliance.

Copy to:

Mr. Pisha, Supervisor, Internal Audit

**BELIEVE...ACHIEVE...SUCCEED**