


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

June 25, 2015

MEMORANDUM

To: Dr. Adrienne L. Morrow, Principal  
East Silver Spring Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
February 1, 2012, through May 31, 2015

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 24, 2015 with you, and Ms. Bernadette Sykes, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated March 27, 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

Effective internal control includes the receipt and review by the principal of the monthly bank statement which should be delivered unopened. This review is an important step in the internal control process, and reviews must be evidenced by the principal's signature and date. We could

find no indication that this important review was completed consistently during our audit period. We recommend you initiate a process that ensures this important internal control process occurs monthly (see MCPS Financial Manual, p. 20-8).

We found that controls over purchases need improvement. In our sample, we discovered numerous instances of purchases that were not properly documented, invoices that had not been notated to certify the satisfactory receipt of goods or services, and invoices that had not been marked "paid." Action is needed to assure purchasing is in compliance with MCPS requirements (see MCPS Financial Manual, p. 20-4).

We found weakness in the receipt and deposit process, and with records of remittances and receipts. Funds collected by sponsors of school activities should be promptly conveyed to the administrative secretary accompanied by MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*. Funds should be counted immediately, a receipt issued to the remitter, and the funds promptly deposited. Records should be maintained in accordance with Chapter 7 of the MCPS Finance Manual.

During our review of fund-raising, we noted a check recorded in a fund-raiser account that was cashed to establish a change fund. All such disbursements should be recorded in a 9200 series account established for that purpose to ensure accountability for all such funds.

#### Summary of Recommendations

- Monthly financial reports must be signed and dated by the principal to indicate review (repeat);
- Purchaser must confirm receipt of goods or services prior to disbursement;
- Purchase documentation must be adequate to support disbursements;
- Purchase 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 (repeat);
- Funds remitted by sponsors must be promptly verified and receipted, prior to being deposited in the bank by the administrative secretary; and
- Accounting transactions must conform to the IAF chart of accounts.

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 Ms. Bronda L. Mills, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

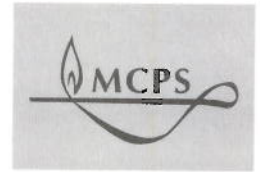
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Copy to:

Dr. Zuckerman  
Dr. Navarro  
Dr. Statham  
Ms. Mills  
Mr. Sanderson  
Mrs. Chen  
Mrs. DeGraba  
Mrs. Milwit

## East Silver Spring Elementary School

631 Silver Spring Avenue • Silver Spring, Maryland 20910 • 301-650-6420 • Fax: 301-650-6424



### Office of the Principal

#### MEMORANDUM

To: Roger W. Pisha, Supervisor, Internal Audit

From: Dr. Adrienne L. Morrow, Principal *alms*  
East Silver Spring Elementary School

Subject: Response to Audit of Independent Activity Funds for the Period  
February 1, 2012, through May 31, 2015

The audit found that there wasn't evidence that the principal signed and dated the monthly bank statement. When we began using SFO at East Silver Spring ES we learned that we could download our monthly bank statement. We set up an Online Cash Manager service, using my User ID and Password, with our SunTrust bank. We thought, incorrectly, that this nullified the requirement that the bank statement received in the mail be opened, reviewed, and signed by the principal. We used this Online Cash Manager service once but knew it was there in the background if needed. At this time the password has expired and we have no interest in renewing it. I reviewed our bank statement when I reviewed our monthly visiting bookkeeper's report. I will instruct Ms. Sykes to present the bank statement to me unopened when we receive it at the beginning of each month, and will review it and sign it.

Numerous instances of purchases that were not properly documented were found by the auditor. When a check is presented to me for signature, it is always accompanied by Form 280-54. Ms. Sykes staples receipts and the Office Copy section of the check to this form. This Office Copy check section includes the description of the purchase, the account number, the check number, and the amount. I examine the documentation carefully before signing the check. If a check is written to pay for an invoice, or for the very infrequent need to prepay an item, Ms. Sykes includes the invoice and the prepay documentation with Form 280-54. She has not marked nor stamped "paid" on that documentation, however, but I have instructed her to make sure that this is done in the future.

Most funds received by the office are for field trips. Teachers remit funds on the day they are collected and are provided with a receipt. Funds are normally banked that same day, and the deposit posted. We have not used Form 280-34 with these funds, but understand that this is a requirement for any funds conveyed to the office and I will ensure that we meet this requirement.

Copy to:  
Ms. Bronda L. Mills