


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

September 19, 2014

MEMORANDUM

To: Mrs. Lakeisha D. Lashley, Principal  
Fairland Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
November 1, 2012, 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 September 19, 2014 with you, and Mrs. Sara Ovalles, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated January 24, 2013, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2014, and that of your administrative secretary was effective July 14, 2014. Therefore, the conditions leading to our findings are based on records compiled by your predecessors. 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, *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 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. In our review of disbursements, we again found that prior approval was not consistently obtained. Many disbursements did not have adequate documentation to fully explain the reason for the expenditure, and invoices were not always signed by the receiver. We recommend that Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and that complete documentation be attached to explain the reason for the purchase.

Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, eligible students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be provided to the administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account reconciliation report. The data should also be used to estimate future trips. We again found that not all sponsors are providing completed data at the conclusion of each trip, and that data is not being compared to the final account reconciliation report nor used for planning future trips. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip (see MCPS Financial Manual, p. 20-9).

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account statement for each month in which transactions have been recorded in their account. The sponsors should verify that all transactions affecting their account have been correctly recorded, resolve any discrepancies, sign and date the statements to attest to their accuracy, and return them to the administrative secretary. We again found this essential internal control procedure was not consistently being used. We recommend a procedure be established to ensure that all statements are reviewed and returned (see MCPS Financial Manual, p. 20-9).

Controls over cash receipts need improvement. We noted instances in which funds remitted were not receipted in a timely manner. Also, the administrative secretary was not always making timely deposits and was holding money in excess of permitted amounts. Large and infrequent deposits increase the possibility of loss of funds, diminish the schools ability to fund activities, and are contrary to the MCPS Financial Manual. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected should be remitted to the administrative secretary daily (see MCPS Financial Manual, p. 7-4). In addition, all remittances on hand must be deposited before each weekend or holiday.



Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (repeat);
- Purchaser must confirm receipt of goods or services and provide adequate documentation to support disbursements;
- Field trip sponsors should reconcile fees collected with sums recorded in the account report (repeat);
- Sponsors of school activities involving the collection of money should be given their monthly account history report and be required to reconcile any differences with the administrative secretary (repeat); and
- Controls over cash remittance process must be improved.

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 Dr. Myra J. Smith, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:LS:sd

Copy to:

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

# FAIRLAND ELEMENTARY SCHOOL

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October 17, 2014

## MEMORANDUM

To: Roger W. Pisha, Supervisor  
Internal Audit

From: Lakeisha Lashley  
Principal, Fairland Elementary School

Subject: Principal's Response to Report on Audit of Independent Activity Funds (IAF)  
for the Period November 1, 2012 through August 31, 2014

The following are responses to the findings and recommendations during the recent audit of our Independent Activity Funds.

In response to the auditor's recommendations, we have taken the following actions:

- The administrative secretary and I will confirm receipts of goods and services, collect adequate documentation to support disbursements and ensure that approval by the principal is given prior to procurement.
- The administrative secretary and I will require field trip sponsors to provide data to account for all students who are participating in field trips, and reconcile funds collected for field trips.
- The administrative secretary and I will ensure that sponsors are provided a monthly account transaction statement for review and confirmation of receipts of funds.
- The administrative secretary and I will ensure that funds are deposited in a timely manner to prevent the possibility of loss of funds and increase the ability to fund activities.

In closing, I would like to recognize the auditor's hard work and professionalism, and thank him for his recommendations. We value our partnership with the Internal Audit Office. Our desire is to improve Fairland's compliance with MCPS' financial and administrative obligations and responsibilities.

Copy to:  
Dr. Smith