


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

October 9, 2014

MEMORANDUM

To: Mr. Evan H. Bernstein, Acting Principal  
Forest Knolls Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
September 1, 2010 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 October 7, 2014 with you, and Mrs. Ana Pineda, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated November 17, 2010 and the status of present conditions. It should be noted that your appointment as acting principal was effective August 1, 2014. 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 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. In our sample of disbursements, we again found prior approval was not obtained when required for most purchases. Most invoices were not marked to indicate satisfactory receipt of goods or services, and none of the invoices were stamped "paid". By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. 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 fully explain the reason for the purchase.

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. Monthly summary reports from the credit card company are to be reviewed, signed and dated by the principal to ensure that purchases are appropriate and within established limits. We found again weakened controls over purchase card transactions. Some of the cardholders did not prepare purchase logs and summary reports. None of the monthly reports were reviewed by the principal. Some transactions were not supported with receipts. The principal's logs were not being signed by the associate superintendent. We recommend purchasing card members be required to comply with the requirements of the MCPS *Purchasing Card Users Guide*, including the use of MCPS Form 234-20, *Purchasing Card File Maintenance Worksheet*, to obtain temporary increases in transaction limits when required.

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the administrative secretary. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (see MCPS Financial Manual, p.7-4). We found sponsors were holding fees collected rather than remitting them to the administrative secretary on a daily basis. We also noted that the administrative secretary was not always making deposits on the last working day of each month and before each weekend or holiday. To minimize the risk of loss, we recommend staff be encouraged to remit daily all funds collected for IAF activities to the administrative secretary for prompt deposit in accordance with MCPS policy and procedures.

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. The administrative secretary should compare this data to actual receipts and resolve any differences with the sponsor. The record of the names of trip participants and sums collected provides assurance that all field trip fees have been remitted. A review of field trip activities found final comprehensive financial information on file for only two of five trips reviewed, and those did not appear to have been analyzed by the administrative secretary. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above. In addition, we recommend the administrative secretary complete a reconciliation of field

trip activity as soon as the final comprehensive data is received from the sponsor (see MCPS Financial Manual, p. 20-9).

#### Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement, purchaser must confirm receipt of goods or services prior to disbursement, and invoices must be stamped "paid" (repeat);
- Purchase card activity must be in compliance with the MCPS *Purchasing Card User's Guide* (repeat);
- Funds must be promptly remitted by sponsors and promptly verified, receipted, and deposited in the bank by the administrative secretary; 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 costs 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 Ms. Bronda L. Mills, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:AB:sd

Copy to:

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

# FOREST KNOLLS ELEMENTARY SCHOOL

---

10830 Eastwood Avenue  
Silver Spring, MD 20901  
301-649-8060

October 31, 2014

## MEMORANDUM

To: Ms. Bronda Mills  
Associate Superintendent

From: Evan H. Bernstein, Acting Principal  
Forest Knolls Elementary School

Subject: Response to Report on Audit of Independent Activity Funds for the Period September 1, 2010 through August 31, 2014

This memorandum is being written at the request of Roger W. Pisha, Supervisor, Internal Audit, as a response to his Findings and Recommendations Report dated October 9, 2014.

The auditor's findings and recommendations centered on MCPS form 280-54, Request for Purchase, purchase card logs, and IAF funds. The areas of recommendation were as follows:

- Purchase receipts must be approved by the principal prior to procurement, purchaser must confirm receipt of goods or services prior to disbursement, and invoices must be stamped paid.
- Purchase card activity must be in compliance with the MCPS Purchasing Card User's Guide.
- Funds must be promptly remitted by sponsors and promptly verified, receipted and deposited in the bank by the administrative secretary.
- Field Trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip.

I have worked with my Administrative Secretary, Ms. Pineda and my Assistant Principal, Ms. Mann to implement the recommendations regarding field trips and other IAF accounts.

Specifically:

1. Staff is using MCPS form 280-34, Remittance Slip, as the only way to submit funds to Ms. Pineda.
2. Field trip sponsors are using MCPS form 280-41, Field Trip Accounting to provide completed financial information to Ms. Pineda to close out each field trip.
3. Sponsors are receiving monthly statements of their IAF accounts. They are verifying the information and working with Ms. Pineda to resolve any discrepancies. Each sponsor will be

signing the monthly statement and submitting them to Ms. Pineda. Administration is following up with sponsors who do not follow through with this expectation

4. All staff was provided a memo from me that outlines the financial expectations of Forest Knolls ES which were effective immediately.

If you require additional information or to discuss this response with me, please feel free to contact me.

Copy to: Roger Pisha, Supervisor, Internal Audit