

Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

March 19, 2013

MEMORANDUM

To: Ms. Diana L. Zabetakis, Principal
Fox Chapel Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit *RPisha*

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2010, through January 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 March 5, 2013, with you, and Mrs. Nicole Smithson, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated June 23, 2010, 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, bank reconciliation report and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date. We could find no

indication that these important reviews were 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).

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 American Express should also be reviewed, signed and dated by the principal to ensure that purchases are appropriate and within established limits. We found that logs and the summary reports were not reviewed by the principal. We recommend purchasing card members comply with the requirements of the MCPS *Purchasing Card Users Guide*.

Sponsors of school activities which involve the collection or disbursement of IAF funds should be provided an account statement for each month in which transactions have been recorded in their accounts, and be required to verify that transactions have been correctly recorded. Although these statements were being issued, we found that some sponsors did not verify and return them. We recommend a procedure be established to ensure that all statements are reviewed, signed after any discrepancies are resolved, and returned to the administrative secretary (see MCPS Financial Manual, p. 20-9).

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. 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.

Sponsors of field trips should have a complete class or club roster of student names and annotate how much each student paid, students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be submitted 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 the cost of future trips. We again found that not all sponsors are submitting completed data at the conclusion of each trip to be compared to the final account reconciliation report and to be used for planning future trips. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or equivalent, for recording of trip fees and provide complete data at the completion of each trip. We further recommend trip planning be reviewed to ensure established fees are commensurate with trip expenses (see MCPS Financial Manual, p. 20-9).

Summary of Recommendations

- Monthly financial reports must be signed and dated by the principal to indicate review;
- Purchase card activity must be in compliance with the MCPS *Purchasing Card User's Guide*;
- Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the administrative secretary;
- Expenditure of funds must be approved by the principal prior to procurement; 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 (repeat).

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. LaVerne G. Kimball, 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
Dr. Marks
Dr. Kimball
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

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The following is a response to the findings and recommendations to the Report on the Audit of Fox Chapel's Independent Activity (IAF) for the period April 1, 2010, through January 31, 2013. A financial management action plan has been developed to address the findings and recommendations in order to ensure consistent compliance with all MCPS financial policies and procedures.

April 15, 2013

Fiscal Management Action Plan

School: Fox Chapel Elementary School

Principal: Diana Zabetakis

Approved by community superintendent: Dr. LaVerne Kimball

Date of approval: April 12, 2013

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Review of the monthly bank statement, bank reconciliation report and ledger report must be consistently reviewed and evidenced by principal's signature and date.	Principal and administrative secretary will meet on the first Monday of each month to review, sign, and date the monthly bank statement, bank reconciliation report and ledger report and meet weekly to review other financial documents.	April/2013 – April/2016	Principal's signature on documents
American Express logs and summary reports must be reviewed, signed and dated by the principal.	Principal and administrative secretary will meet on the first Monday of each month to review, sign, and date American Express logs and summary reports.	April/2013 – April/2016	Principal's signature on documents
Although verification statements were given to staff - some sponsors of school activities did not verify and return the form to the administrative secretary.	Email to staff explaining the process along with a created graphic organizer. (Administrative Secretary). Process will be distributed during pre-service and added to the school handbook. (Principal)	April/2013 – September/2013	Verification statements signed by school sponsors

<p>In a random sample of disbursements, prior approval was not consistently obtained in writing on MCPS Form 280-54.</p>	<p>The principal will require all verbal approvals to be submitted on MCPS Form 280-54 prior to purchasing of items so that invoices and receipts bear a date subsequent to the approval date. Reminder of this process will be communicated to staff at the April 2013 staff meeting. This procedure is already in the staff handbook and reviewed during pre-service. The administrative team will meet directly with all new staff to the building to review procedures. Administrative secretary will not process invoices or receipts without MCPS Form 280-54 being completed.</p>	<p>April 8, 2013 April/2013 – September 2013</p>	<p>All purchases will be accompanied by MCPS Form 280-54</p>
<p>Not all field trip sponsors are submitting completed data at the conclusion of each trip to be compared to the final account reconciliation report. Audit recommends trip sponsors use MCPS Form 280-41 for recording of trip fees and provide complete data at the completion of each trip. Audit recommends that trip planning be reviewed to ensure established fees are commensurate with trip expenses.</p>	<p>Review field trip graphic organizer and make necessary changes. Communicate these changes through staff meetings, during pre-service and in the staff handbook. (Administrative Secretary) Staff will be reminded of expectations to complete MCPS Form 280-41 at the May 2013 staff meeting. (Principal) Administrative secretary is to report to the principal any staff members that do not submit MCPS Form 280-41 in a timely manner. (Administrative Secretary) Administrative secretary to review and report out to principal - trip planning to ensure established fees are commensurate with trip expenses.</p>	<p>April 8, 2013 April/2013 – September/2013</p>	<p>All MCPS Form 280-41 documents will be returned to the administrative secretary in a timely manner. Graphic organizer will be updated to reflect changes.</p>