


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

December 16, 2013

MEMORANDUM

To: Ms. Kim M. Redgrave, Coordinator
Stephen Knolls School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2011, through September 30, 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. Coordinators 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 December 5, 2013 with you, and Mrs. Sara Ovalles, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated October 27, 2011, and the status of present conditions. It should be noted that your appointment as coordinator was effective August 1, 2013. 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

Disbursement of IAF must be controlled in a number of ways. All purchases must be approved in advance and in writing by the coordinator using MCPS Form 280-54, *Request for a Purchase*.

After the purchase is completed, the purchaser should submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the administrative secretary. A check may then be drawn and it must bear two signatures, one of which is that of the coordinator or acting coordinator. We found instances in which these controls over purchases were not always followed. In addition, we noted that documentation was missing or not adequate to support some transactions, and a check that had been signed only by the administrative secretary. Action is needed to bring purchasing into conformity with MCPS requirements (see MCPS Financial Manual, p. 20-5).

Contracts that include certain activities may appear to be without consequences but depending on the contract's terms, the school could have the potential to cause personal injury or property damage liability claims filed against MCPS. Prior to execution, any contract of this type needs to be approved by the chief operating officer (COO). Our audit disclosed that without obtaining prior COO approval, the school leased and operated a moon bounce for its fair in May 2012. We recommend using MCPS Form 281-53, *Restricted IAF Purchases Request for COO Approval*, for COO approval prior to executing this type of contract (see MCPS Financial Manual, p. 20-7).

MCPS purchasing card members must record purchases on transaction logs and submit logs monthly with invoices and receipts attached for review and approval by the coordinator. Monthly summary reports from American Express are to be reviewed, signed and dated by the coordinator to ensure that purchases are appropriate and within established limits. We found that monthly purchase logs were not completed, signed by the card member, or submitted to the coordinator for review. We also noted that some receipts were missing, as well as certification of receipt of goods or services for some purchases. We recommend purchasing card members be required to comply with the requirements of the MCPS *Purchasing Card Users Guide*.

In order to properly control receipts, funds collected by sponsors should be remitted promptly to the administrative secretary together with MCPS Form 280-34, *MCPS Remittance slip*, counted in the presence of the remitter and a receipt issued. Checks should be restrictively endorsed immediately upon receipt. We noted that sponsors placed funds in sealed envelopes in the administrative secretary's inbox, and were informed that on a few occasions, these envelopes remained there unsecured overnight and without any documentation pertaining to the source or purpose of the funds. To improve controls, we recommend close adherence to the procedures in the MCPS Financial Manual, pp. 7-3, 7-4.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. We found a fund-raiser in which the administrative secretary performed both the duties of activity sponsor and financial agent. The administrative secretary created the purchase orders, collected and deposited the funds from sales, and entered the transactions into the accounting records. Action is needed to bring fund-raising into conformity with MCPS requirements that incorporate sound accounting procedures and internal controls, including the separation of duties (see MCPS Financial Manual, p. 20-12).

Summary of Recommendations

- Purchase requests must be approved by the coordinator prior to procurement;
- Receipt of goods or services must be confirmed prior to disbursement;
- Invoices and receipts must be annotated as paid to indicate disbursement was made;
- Adequate documentation must be provided to support disbursements;
- Checks will bear two signatures, one of which must be that of the coordinator;
- Certain contracts require COO prior approval;
- Purchase card activity must be in compliance with the MCPS *Purchasing Card User's Guide*;
- Funds collected by sponsors must be promptly remitted using MCPS Form 280-34 to the administrative secretary and verified; and
- Fund raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*.

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:AMB:sd

Copy to:

Mr. Bowers
Dr. Statham
Dr. Schiavino-Narvaez
Mr. Sanderson
Ms. Mills
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

**Response to Audit Report of Independent Activity Funds for the Period
September 1, 2011, through September 30, 2013**

Financial Operations/Independent Activity Funds Management Action Plan

School: Stephen Knolls School

Coordinator: Kim M. Redgrave



Completed by: Sara Ovalles, Adm. Sec.

Findings and Recommendations Of School's Financial Report	Description of Resolution and Person(s) responsible	Timeline	Evidence of Completion
Finding: Lack of adherence to some procedures for disbursement of IAF disbursements.	Per auditor directions and December 16 th memorandum, purchase requests will be approved by the coordinator prior to procurement. Coordinator and Administrative Secretary will review December 16 th memo with staff to ensure they adhere to established procedures.	On-going as staff submit requests, also reminders during monthly staff meetings with professionals and supporting services personnel, including during pre-service staff meetings.	Staff meeting agendas indicating payroll procedures as an agenda item.
	Receipt of goods or services will be confirmed and stamped received prior to disbursement.	On-going	Monthly reconciliations

	Invoices and receipts will be annotated as paid to indicate disbursement was made and completed.	On-going	Monthly reconciliations
	Adequate documentation will be provided to support disbursements (including receipts).	On-going	Monthly reconciliations
	Checks will bear two signatures, one of which will be the coordinator.	On-going	Monthly reconciliations
	Will obtain prior and timely approval from Coordinator for certain contracts as required.	On-going	Monthly reconciliations
	Purchase card activity will be in compliance with the MCPS <i>Purchasing Card User's Guide</i> .	On-going	Monthly reconciliations
	Funds collected by sponsors will be promptly remitted using MCPS Form 280-34 to the administrative secretary and verified for completion.	On-going as staff submit funds collected, also reminders during monthly staff meetings with professionals and supporting services personnel, including during pre-service staff meetings.	Staff meeting agendas indicating IAF procedures as an agenda item. Also during monthly reconciliations.
	Fund raising will conform to <i>Guidelines for Sponsoring and IAF Fund Raiser</i> including the proper completion of forms for each activity.	On-going as staff submit required documentation and also reminders during monthly staff meetings with professionals and supporting services personnel, including during pre-service staff meetings.	Staff meeting agendas indicating IAF procedures as an agenda item. Also during monthly reconciliations.