


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

March 6, 2014

MEMORANDUM

To: Ms. Robin L. Malcotti, Principal
Lakewood Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2010, through December 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 February 27, 2014, with you, and Mrs. Maureen Burns, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated October 1, 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

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, we again found that 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 purchase

orders and invoices bear a date subsequent to the approval date. Also, documentation supporting purchases must be stamped or marked "paid" to avoid duplicate payment, and marked by recipient to indicate purchased goods or services were satisfactorily received.

Review of field trip activities revealed that not all field trip sponsors are providing completed financial information to the administrative secretary at the completion of a trip. 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 (see MCPS Financial Manual, p. 20-9). The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above. In addition, we noted instances in which several field trip sponsors continued to hold fees collected rather than remitting them timely to the administrative secretary. We recommend that all staff who collect funds for school activities be reminded of remittance requirements (see MCPS Financial Manual, p. 7-4).

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (repeat);
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made;
- 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); and
- Funds collected by sponsors must be promptly remitted to the administrative secretary (repeat).

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Mrs. Burns, which greatly facilitated our audit. 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. Donna S. Hollingshead, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:GB:sd

Copy to:

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

Lakewood Elementary School

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Office of the Principal

April 23, 2014

MEMORANDUM

To: Dr. Donna Hollingshead, Associate Superintendent

From: Robin L. Malcotti, Principal, Lakewood Elementary School

Subject: Response to Audit of Independent Activity Funds for the Period
July 1, 2010, through December 31, 2013

The following statements are in response to the auditor's finding for the financial records, reports and internal accounting controls relating to Lakewood Elementary School's Independent Activity Funds for the period of July 1, 2010 through December 31, 2013.

Findings and Recommendations

We appreciate the thorough review and recommendations of Internal Audit in the review of our financial records. Although our IAF records are in good condition and can be relied upon in financial decision making, we are in the process of implementing the following steps to improve the recent findings. The following actions would improve financial reporting and provide a sound basis for decisions on the expenditure of funds.

1. Continue to review all financial records on a monthly basis for completeness including proper signatures and dates.
2. Continue to discuss individual accounts with all sponsors and obtain required signatures upon review.
3. Review best practices, with staff, regarding timely submission of money to the office, reinforcing the use of forms 280-34 and 280-41 for field trips.
4. Review best practices with staff regarding the use of form 280-54 to request funds for purchases. Forms are to be submitted for review and approval PRIOR to purchase.
5. Invoices and receipts will be marked as PAID to avoid duplicate payments and insure proper disbursement.

Mrs. Burns deeply appreciates Mr. Beall's time, advice, suggestions and general input on the many aspects of the financial process. This was a very beneficial learning experience. If there is further information you require regarding the above findings, please feel free to contact us.

Sincerely,

A handwritten signature in cursive script that reads "Robin L. Malcotti".

Robin L. Malcotti
Principal

RLM:vmb

Copy to:
Mr. Pisha