Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

July 30, 2013

MEMORANDUM

To: Mrs. Judy K. Brubaker, Principal
Spark M. Matsunaga Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period November 1, 2009, through April 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. 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 July 9, 2013, with you, and Mrs. Donna Clark, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated February 19, 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 to 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 expenditures 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 should be marked by the recipient to indicate goods or services were satisfactorily received.

Cash and checks collected by sponsors and other authorized individuals for IAF activities must be remitted to the administrative secretary on the day they are received, and must be accompanied by MCPS Form 280-34, *Remittance Slip*. We again found instances in which staff collecting funds for field trips were holding funds rather than remitting them in a timely manner to the administrative secretary (see MCPS Financial Manual, p. 7-4). We recommend that all staff who collect funds for school activities be reminded of remittance requirements.

Sponsors of school activities which involve the collection or disbursements of IAF 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 reports were being distributed, we found that not all sponsors were returning these statements. We recommend a procedure be established to ensure that all sponsors be required to review their monthly account statements, resolve any discrepancies, and attest to their accuracy by returning the signed statements to the administrative secretary (see MCPS Financial Manual, p. 20-9).

Review of field trip activities again revealed that not all 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. The record of 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 (see MCPS Financial Manual, p. 20-9).

Summary of Recommendations

- Expenditure of funds must be approved by the principal prior to procurement (repeat);
- Funds collected must be promptly remitted by sponsors to the administrative secretary (repeat);
- Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to 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 (repeat).

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Mrs. Clark, 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. LaVerne G. Kimball, 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. Statham
Dr. Schiavino-Narvaez
Mr. Sanderson
Dr. Kimball
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

Fiscal Management Action Plan

School: Spark M. Matsunaga Elementary School **Principal: Judy Brubaker** JB

Approved by community superintendent: _____ **Date of approval: _____**

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Expenditure of funds must be approved by principal prior to purchase – form 280-54.	Resolution: Mrs. Clark will be making a presentation to staff during a pre-service as a reminder of the proper way to use the Request for Purchase form. "If" verbal approval is given by Mrs. Brubaker and a staff member goes out on the same day to make a purchase, a notation stating "verbal approval given for purchase" will be written on the form by Mrs. Brubaker. This was suggested by Mr. George Beall, auditor. Person(s) Responsible - Donna Clark, Administrative Secretary Judy Brubaker, Principal	As of July 10, 2013. Presentation to staff to be made August 18, 2013.	Meeting Notes and Staff Folders given out at pre-service meeting.
Funds collected must be promptly remitted by sponsors to the administrative secretary.	Resolution: Since this was a problem with only a few staff members Mrs. Brubaker will be addressing this on an individual basis with each of those staff members. However, the importance of remitting money promptly will be reviewed with the entire staff as part of the pre-service presentation given by Mrs. Clark. Person(s) Responsible - Donna Clark, Administrative Secretary Judy Brubaker, Principal	Beginning the week of August 15, 2013	Meeting Notes and Staff Folders given out at pre-service meeting.
Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to administrative secretary.	Mrs. Clark has established a procedure using the new SFO system where she can email monthly account transactions to sponsors for review and signature. This new procedure will be presented to sponsors upon their return in August. Person Responsible – Donna Clark, Administrative Secretary	Beginning the week of August 15, 2013	Memorandum to Sponsors Emails Account transaction statements

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 – use of form 280-41	**Mrs. Clark will review the proper use of form 280-41, the Field Trip Accounting form as well as 280-34, the IAF Remittance Slip explaining the importance of using these forms together in order to reconcile funds.** **Mrs. Clark will work with team leaders to ensure that field trip policies are followed.** **Person Responsible –** **Donna Clark, Administrative Secretary**	**Beginning the week of August 15, 2013**	**Meeting Notes, emails and Staff Folders given out at staff meeting.** **Field trip forms 280-41 and IAF remittance slips 280-34**

Note: A copy of the approved plan is to be sent to the Upcounty Regional Services Center
12900 Middlebrook Road, Suite 3380
Germantown, MD 20874.