


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

June 24, 2014

MEMORANDUM

To: Ms. LaTricia D. Thomas, Principal
Judith A. Resnik Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
August 1, 2012, through April 30, 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 June 18, 2014 with you, and Mrs. Karen Fritz, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated October 1, 2012, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2013. Since Mrs. Fritz has not completed mandatory financial training, we strongly recommend she attend as soon as possible. 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

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account statement for each month in which transactions have been recorded in their account. We found this essential internal control procedure was not always being used. We recommend sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the statements should be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all statements are reviewed and returned (see MCPS Financial Manual, p. 20-9).

Disbursement of IAF must be controlled in a number of ways. All purchases must be approved in advance and in writing 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 principal or acting principal. We again found numerous instances in which controls over purchases were weakened that included documentation not always adequate to assure the school benefited from the purchase, Form 280-54 not signed or dated by the principal, documentation supporting purchases not stamped or marked "paid", and documentation not annotated by recipient to indicate purchased goods or services were satisfactorily received. Action is needed to correct these conditions and bring purchasing into conformity with MCPS requirements (see MCPS Financial Manual, p. 20-5).

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly and intact to the administrative secretary along with a remittance slip. 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 hold fees collected rather than remitting them to the administrative secretary on a daily basis. Also, the administrative secretary was not always making timely deposits and was holding money in excess of permitted amounts. Large and infrequent deposits increase the possibility of loss of funds, diminish the schools ability to fund activities, and are contrary to the MCPS Financial Manual. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected should be remitted to the administrative secretary daily (see MCPS Financial Manual, p. 7-4). We recommend staff be encouraged to submit cash and checks collected for IAF activities to the administrative secretary for prompt deposit in accordance with MCPS policy and procedures.

Review of field trip activities again 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 also found instances in which fees collected exceeded sums needed to pay for a trip. We recommend trip planning be reviewed to ensure established fees are commensurate with trip expenses and that all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above.

Summary of Recommendations

- Monthly account transaction statements must be provided to sponsors for affirmation of correctness and returned to the administrative secretary;
- Purchase requests must be approved by the principal prior to procurement (repeat);
- Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the financial agent and deposited timely;
- 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
- Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses.

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. Myra J. Smith, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

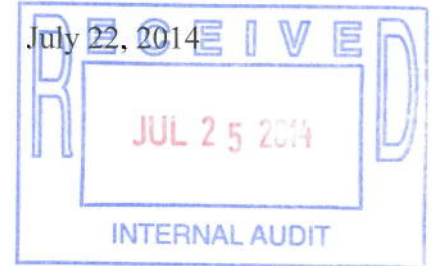
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Copy to:

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

Judith A. Resnik Elementary

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MEMORANDUM

To: Roger W. Pisha, Supervisor, Internal Audit

From: LaTricia Thomas, Principal
Judith A. Resnik Elementary School

Subject: Report on Audit of Independent Activity Funds for the Period
August 1, 2012 through April 30, 2014

This memo is in response to the Independent Activity Funds (IAFs) audit that was conducted for the period August 1, 2012 through April 30, 2014. On June 18, 2014 a meeting was held with Ms. MJ Bergstresser (auditor), Ms. LaTricia Thomas (principal), and Mrs. Karen Fritz (administrative secretary) to review the results.

Below are the actions that Judith A. Resnik Elementary School will take to resolve the findings on the audit report.

- Mrs. Fritz, administrative secretary, will attend IAF training sometime during the 2014-2015 school year. Mrs. Fritz has already checked PDO and currently there are no trainings listed. Mrs. Fritz contacted Ms. Bergstresser to make sure the recommended training was not listed on PDO. Mrs. Fritz will continue to check PDO regularly for the recommended training.
- Sponsor Reports will be issued every month and the sponsors will be required to sign as verification that their transactions have been correctly recorded.
- All disbursements will require a 280-54 before any purchases are made. On July 15, 2014, leadership team members were made aware of this process. They were also told that if the 280-54 is not submitted before purchases are made, reimbursements will not be honored. In addition, all receipts will be stamped "PAID" the day it is received.
- Staff training on completion of remittance forms will be held during our 2014-2015 pre-service week to train all staff members that handle money. This training will explain that only the money turned in accompanying the remittance form should be reflected on the form. It is not an "on-going" balance.
- Mrs. Fritz will continue to go to the bank on a timely basis. We are also going to be purchasing a safe to keep funds secure. All funds will be deposited by the last working day of each month and before weekends or holidays.
- During the pre-service training staff will be reminded that they have to hand in all monies collected by the end of the school day. Mrs. Fritz will be able to

ascertain when this is not being done by knowing field trip, party, and fund raiser dates. Mrs. Fritz will notify the principal if staff members are not handing in money by the end of the day and the principal will follow-up with the staff members.

- Field Trip Sponsors will provide completed financial information for each field trip on form 280-41. If this is not done, Mrs. Fritz will notify the principal who will follow-up with the sponsor.
- Field Trip Sponsors will need to turn in the MCPS Field Trip Calculator paperwork so there are no large overages on field trips. Field Trip Sponsors will have to meet with Mrs. Fritz before a field trip is planned.
- Mrs. Fritz will be taking SFO training regarding on-line payments for field trips and classroom party fees.

I would like to take the opportunity to thank Ms. Bergstresser for her professionalism, knowledge and understanding of school procedures.

LT:kif

Copy to:

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