


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

January 19, 2016

MEMORANDUM

To: Mrs. Katherine W. Lertora, Principal  
Rock Terrace School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
December 1, 2014, through December 31, 2015

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 January 15, 2016, with you and Ms. Christina Cedeno, administrative secretary, we reviewed our prior audit report dated February 11, 2015, 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

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. We found that there was a lack of adherence to these guidelines. Although the sponsors are submitting fund-raiser requests, there is no date on the forms to indicate when an activity was approved. Completion reports did not include the total number of items for sale, selling prices, or remaining inventories that made it impossible to determine whether all sums collected were remitted to the administrative secretary. We recommend following internal control procedures to provide for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event (see MCPS Financial Manual, p. 20-12).

Rock Terrace students participate in a three-day, two-night residential outdoor environmental education program (OEEP) for which they are assessed an activity fee to reimburse MCPS for personal expenses associated with the program. Students unable to pay the OEEP activity fee receive waivers. Any waivers must be reported to MCPS so that the total amount of the invoice billed to the school is adjusted accordingly. We found that the school did not correctly report all students who were identified as needing assistance which resulted in an overpayment to MCPS. We also noted that the school charged full-day participants a \$72 fee while the Smith Center charges \$76 per participant. We recommend that you review the procedures for reporting students needing financial assistance with the sponsor, and that financial assistance forms be submitted to the Smith Center for proper billing. We also recommend establishing the fee for this trip to equal the fee that MCPS bills the school in order to not incur a loss. To reduce the workload of cash handling requirements for sponsors and administrative secretary, consideration should be given to using Online School Payments. (OSP).

#### Summary of Recommendations

- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund-Raiser*;
- Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses;
- Financial assistance forms need to be submitted to the Smith Center for OEEP; and
- Cash handling by sponsors and administrative secretary can be reduced using OSP.

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 Mr. Brian W. Scriven, director of high schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

Dr. Zuckerman  
Dr. Statham  
Dr. Navarro  
Dr. Williams  
Mrs. Chen  
Mrs. DeGraba  
Mrs. Milwit  
Mr. Scriven

**Fiscal Management Action Plan**

**School:** Rock Terrace School

**Principal:** Kathy Lertora

**Approved by Associate Superintendent:** \_\_\_\_\_ **Date of approval:** \_\_\_\_\_

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Fund-raiser request forms did not include a date on the forms to indicate when an activity was approved. Completion reports did not include the total number of items for sale, selling prices, or remaining inventories that made it possible to determine whether all sums collected were remitted to the administrative secretary.	<ul style="list-style-type: none"> <li>Professional development for staff involved in school fundraising activities.</li> <li>Use updated completion report forms that include the required items.</li> </ul>	March 2016	<ul style="list-style-type: none"> <li>Meeting agendas where professional development provided</li> <li>Completed paperwork for all fundraisers</li> </ul>
For Outdoor Environmental Education Program (OEEP) not all the students who were identified for assistance were correctly reported which resulted in an overpayment to MCPS. The school also charged full-day participants a \$72 fee rather than \$76 per participants.	<ul style="list-style-type: none"> <li>Professional development for the OEEP sponsor for keeping accurate records of student payments, including amounts and dates paid and student waiver information.</li> </ul>	March 2016	<ul style="list-style-type: none"> <li>Meeting agendas where professional development provided</li> <li>Accurate completed paperwork and records for Outdoor Environmental Education Program</li> </ul>

*Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.*