


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

October 2, 2012

MEMORANDUM

To: Mrs. Cheryl A. Clark, Principal
Lois P. Rockwell Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2009, through July 31, 2012

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 September 25, 2012, with you, Mr. Rodney Isabell, assistant principal, and Ms. Kimberly Spotloe, administrative secretary, we reviewed the status of the conditions described in our prior audit report, and discussed further actions needed to strengthen the accountability for IAF resources. 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.

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 the approval and completion reporting guidelines. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. Each fund raiser should be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund raising activity should be recorded in a separate account in the 800 series and a completion report prepared that analyzes the results. Completion reports should also be retained in the school office (see MCPS Financial Manual, p. 20-11).

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (repeat);
- Receipt of goods or services must be confirmed prior to disbursement; and
- Fund raising must conform to *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Ms. Spotloe, 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. Darryl L. Williams, community superintendent. 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
Dr. Marks
Dr. Williams
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

Lois P. Rockwell Elementary
MONTGOMERY COUNTY PUBLIC SCHOOLS
Damascus, Maryland

November 1, 2012

MEMORANDUM

To: Mr. Roger Pisha, Supervisor, Internal Audit Unit

From: Cheryl A. Clark, Principal 

Subject: Response to Audit Report of the Independent Activity Funds for the Period
April 1, 2009 through July 31, 2012

We appreciate the feedback on the practices and protocols that we have in place to responsibly manage the funds that are raised and expended at Lois P. Rockwell Elementary School (LRES) during and after the subject audit in late September 2012. Based on the meeting with Mr. George Beall, Montgomery County Public Schools (MCPS) Auditor, on September 25, 2012, and the written summary dated October 2, 2012, we have reflected on and improved our procedures to align with feedback that was provided to us:

- Use and procedures for requesting funds for purchase MCPS Form 280-54, *Request for a Purchase*): MCPS policy requires that the principal give prior authorization for a purchase. Routinely, at LRES, purchases are discussed with the principal prior to purchase and verbal approval is given. We will implement procedures to complete paperwork (MCPS Form 280-54, *Request for a Purchase*) at the time of verbal approval so that our records squarely reflect the control that is necessary in managing and overseeing Independent Activity Funds (IAFs) expenditures. This will be discussed with staff and emphasized in the staff handbook as a standard procedure so that staff will expect to complete the written request at the time of inquiry.
- Receipt of goods or services confirmed prior to disbursement: Our past practice of documenting acceptance of goods consisted of checking off items on packing slips and receiving items through the Financial Management System (FMS). Beginning in January 2012, the new administrative secretary added the practice of date stamping and signing the paper copies of packing slips as they were physically checked in by office staff prior to distribution as well as receiving items through the FMS. We will continue this practice to enhance the proof and documentation that items were received satisfactorily.
- Fundraising procedures: LRES facilitates one fundraiser per year to directly support an overnight field trip to Williamsburg, Virginia for our fifth grade students. Though this fundraiser is facilitated directly with the administrative team and the fifth grade teachers, we will begin this year's fundraiser with a formal written request to the principal for approval. The principal will sign this written request thereby granting and documenting approval. A copy of this written approval will be included in the file yearly for each fundraiser. We will continue the use of MCPS Form 281-25, *Profit/Loss Statement* that we have completed in the past. Should LRES venture into further fundraisers, we will use this procedure as outlined in the MCPS publication *Guidelines for Sponsoring an Independent Activity Fund Fundraiser*.

Mr. Beall was helpful in his comments and suggestions both in the audit conference as well as in our conversations throughout the audit process. We appreciate his feedback and look forward to continuing our efforts to improve our practices for managing our Independent Activity Funds at Lois P. Rockwell Elementary School.

CAC:ks

Copy to:

Dr. Williams

Mr. Beall

Ms. Spotloe