

Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

September 7, 2012

MEMORANDUM

To: Mrs. Eileen K. MacFarlane, Principal
Ronald McNair Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit *RWP*

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2008, 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 August 31, 2012, with you and Mrs. Donna Michela, assistant principal, and Ms. Sherrin Sharpe, 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

We noted several checks that had been issued to staff for making purchases that had been signed by the principal prior to a dollar amount being entered on them. No checks will be signed prior

to completion of date, payee, and amount entered on them (see MCPS Financial Manual p. 20-5). Use of the school purchasing card, with its pre-approved limits, would improve controls over such purchases.

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 accounts, and be required to verify that transactions have been correctly recorded. Although reports were being distributed, we again 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).

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We found a lack of adherence to the approval process. Prior to initiating any activity, each fund raiser shall be approved by the principal in writing. Financial activities for each fund raising activity should be recorded in a separate account in the 800 series and a completion report prepared to analyze the results. Both fund raising approval form and completion report should be retained in the school office (see MCPS Financial Manual, p. 20-11).

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.

Summary of Recommendations

- Checks must be fully completed before being signed and must bear two signatures;
- Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the administrative secretary (repeat);
- Fund raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*; and
- Funds collected must be promptly remitted by sponsors to the administrative secretary (repeat).

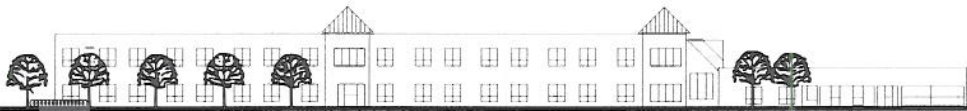
Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Ms. Sharpe, which greatly facilitated our audit. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, please

provide a response to the Internal Audit office within 30 days of this report, with a copy to Dr. LaVerne G. Kimball, 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. Kimball
- Mrs. DeGraba
- Mrs. Milwit
- Mr. Doody




RONALD McNAIR ELEMENTARY

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MEMORANDUM

To: Roger W. Pisha, Supervisor, Internal Audit

From:  Mrs. Eileen K. Macfarlane, Principal
Ronald McNair Elementary School

Subject: Response to Report on Audit of Independent Activity Funds for the Period
November 1, 2008, through July 31, 2012

Please review my response to the findings and recommendations from your examination of the IAF records and financial accounts for Ronald McNair Elementary for the time period indicated above. Your comments are welcome.

Findings:

1. Checks will not be signed prior to completion of date, payee, and amount entered on them. Staff will use purchasing cards when possible, within pre-approved limits, especially when purchase totals are not known.
2. Sponsors of schools activities which involve the collection or disbursement of IAF will be provided an account statement for each month in which transactions have been recorded in their accounts. The sponsor will be required to verify, sign and date the statement. The sponsor will be required to return the signed statement to the administrative secretary within 5 days of receipt.
3. Fund raising at the school will conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. Prior to initiating any activity, each fund raiser shall be approved by the principal in writing. Financial activities for each fund raising activity will be recorded in a separate account in the 800 series and a completion report will be prepared to analyze the results. All fund raising documents will be retained in the school office.
4. Cash and checks collected by sponsors and other authorized individuals for IAF activities will be remitted to the administrative secretary on the day they are received, accompanied by MCPS Form 280-34, *Remittance Slip*. Staff will be reminded of remittance requirements.

I will implement the plan to improve and strengthen internal controls.

I truly appreciate the patience and guidance of Mr. George Beall, Internal Auditor, during our audit period. The wealth of knowledge he shared with us has already proven to be extremely helpful in streamlining the administration of our IAF's in accordance with MCPS policies, regulations, and procedures.

EKM/sls

Copy to:

Dr. Kimball

