

Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

December 7, 2012

MEMORANDUM

To: Mrs. Dina E. Brewer, Principal
Sherwood Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2011, through October 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 November 30, 2012, with you and Mrs. Madeline Ramirez, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated November 14, 2011, and the status of present conditions. We noted that your appointment as principal was effective July 1, 2012, and that you had attended school finance training January 31, 2012. 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

The MCPS Financial Manual, p. 20-10, provides guidance on IAF account structure and utilization. The IAF chart of accounts is standardized for consistency in reporting. We noted instances of

nonconformity, and that some transactions were not classified properly in appropriate accounts. We found that although administration was conservative in authorizing expenditures and did not exceed available resources, the noncompliant recording practices reduce the reliability of the financial statements for decision making. We recommend the recording of transactions be brought into compliance with the IAF account structure.

Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be provided to the financial agent at the completion of each trip, and compared to remittances recorded in the trip account reconciliation report. The data should also be used to estimate future trips. We again found that not all sponsors are providing completed data at the conclusion of each trip, and that data is not being compared to the final account reconciliation report nor used for planning future trips. We also found instances in which fees collected exceeded sums needed to pay for a trip. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip. We further recommend trip planning be reviewed to ensure established fees are commensurate with trip expenses (see MCPS Financial Manual, p. 20-9).

MCPS Form 280-54, *Independent Activity Fund 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 in order to properly record expenditures in appropriate accounts and to ensure that expenditures comply with IAF requirements. In our random sample of disbursements, prior approval was not consistently obtained. By requiring prior approval, the principal retains control over the expenditure 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 invoices or receipts bear a date subsequent to the approval date.

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 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).

MCPS purchasing card members must record purchases on transaction logs and submit them monthly with invoices and receipts attached for review and approval by the principal. Monthly summary reports from American Express are to be reviewed, signed and dated by the principal to ensure that purchases are appropriate and within established limits. We found that purchasing card logs were not prepared and that documentation supporting purchases had not been marked

“paid.” We recommend purchasing card members be required to comply with the requirements of the MCPS *Purchasing Card Users Guide*.

Summary of Recommendations

- Record accounting transactions in conformity with the IAF chart of accounts (repeat);
- 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);
- Expenditure of funds must be approved by the principal prior to procurement (repeat);
- Monthly account transaction statements must be provided to sponsors for affirmation of correctness and returned to the financial agent (repeat); and
- Purchase card activity must be in compliance with the MCPS *Purchasing Card User’s Guide* (repeat).

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 Smith, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:RM:sd

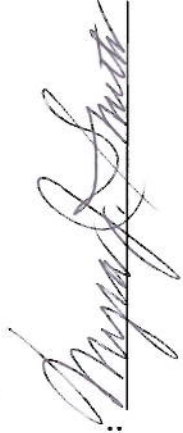
Copy to:

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

Fiscal Management Action Plan

School: Sherwood ES

Principal: Dina Brewer



Approved by community superintendent: _____

Date of approval: 1/9/13

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Record accounting transactions in conformity with the IAF chart of accounts	Transactions will be brought into compliance with IAF accounting structure per the MCPS Financial Manual (p 20-10)	January 2013 - ongoing	Monthly bookkeeping by Jim Zack.
Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate and to reconcile funds collected with cost of trip.	Sponsors of field trips will complete a roster of student names along with payment details (MCPS form 280-41). This roster will be turned into Ms. Ramirez at the completion of each trip. This will be reconciled by Ms. Ramirez. Fees charged will be monitored for appropriateness (cost effectiveness).	January 2013 - ongoing	Principal will check and monitor compliance.
Expenditure of funds must be approved by the principal prior to procurement.	All staff must submit MCPS form 280-54 PRIOR to purchases.	January 2013 - ongoing	Principal signature; Monthly bookkeeping by Jim Zack.
Monthly account transaction statements must be provided to sponsors for affirmation of correctness and returned to the financial agent.	Sponsors will be given an account statement for each month in which transactions have been recorded in their account. Sponsors will check for accuracy, sign and return to Ms. Ramirez. After discrepancies are resolved, sponsors will sign and date for record keeping.	January 2013 - ongoing	Principal will monitor and sign off.
Purchase card activity must be in compliance with the MCPS Purchasing Card User's Guide.	Purchasing card logs will be prepared and documentation supporting purchases will be marked, "paid" in compliance with the MCPS Purchasing Card User's Guide.	January 2013 - ongoing	Principal will monitor and sign off. CS will receive log.