

Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

December 2, 2013

MEMORANDUM

To: Mr. Kyle J. Heatwole, Principal  
Flora M. Singer Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
July 1, 2012, through October 31, 2013

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 21, 2013, with you, and Mrs. Ingrid Higgins, administrative secretary, we reviewed the status of present conditions, noting that this is the school's first audit since opening in July 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

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 in order to properly record expenditures in the



appropriate accounts, and to ensure that expenditures comply with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, we found prior approval was not consistently obtained and invoices were not annotated to indicate the goods or services were received satisfactorily. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and that purchasers annotate on invoices the satisfactory receipt of goods or services to support disbursements.

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 or supervisor. 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 logs were not prepared or reviewed, and the summary reports were not received or reviewed by the principal. We recommend purchasing card members be required to comply with the requirements of the MCPS *Purchasing Card Users Guide*.

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the administrative secretary. 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 field trip sponsors at times held fees collected rather than remitting them to the administrative secretary on a daily basis. We also noted that the administrative secretary was not always making deposits on the last working day of each month and before each weekend or holiday. To minimize the risk of loss, all funds collected should be remitted daily. 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.

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. 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 and a completion report prepared that analyzes the results (see MCPS Financial Manual, p. 20-12).

#### Summary of Recommendations

- Expenditure of funds must be approved by the principal prior to procurement;
- Receipt of goods or services must be confirmed prior to disbursement;

- Purchase card activity must be in compliance with the MCPS *Purchasing Card User's Guide*;
- Funds collected must be promptly remitted by sponsors to the administrative secretary using MCPS Form 280-34, and promptly deposited in the bank; and
- Fundraiser approval authority must be documented, and completion reports must provide analysis of results.

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 Ms. Bronda L. Mills, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

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



**FLORA M. SINGER ELEMENTARY SCHOOL**

2600 Hayden Drive  
Silver Spring, Maryland 20902




*Office of the Principal*

January 15, 2014

**MEMORANDUM**

To: Roger W. Pisha, Supervisor, Internal Audit

From: Kyle Heatwole, Principal   
Flora M. Singer Elementary School

Subject: Response to Audit of Independent Activity Funds for the Period  
July 1, 2012, through October 31, 2013

Thank you for your recent report on the audit of our Independent Activity Funds (IAF) for the period of July 1, 2012, through October 31, 2013. That time period spans our first year of operation as a new elementary school. It is important that we establish sound financial practices and procedures that ensure compliance with MCPS policies, regulations, and procedures. We appreciate and value the guidance and input of the Internal Audit office.

We have taken several steps in response to the recommendations outlined in the report. We have reviewed the process used to obtain approval for expenditures prior to procurement. We will review this process with all staff now, and annually in August. We will ensure that any future reimbursement request has prior approval via Form 280-54. We have also reviewed the process that we use for annotating invoices to ensure that goods and services are received satisfactorily.

We have taken steps to ensure receipt and review of American Express monthly summary reports. We use American Express cards infrequently. However, we have now established procedures that ensure that we are using them in compliance with the requirements of the MCPS Purchasing Card Users Guide.

The report indicated that field trip sponsors at times held fees collected rather than remitting them to the administrative secretary on a daily basis. We will review this expectation with staff now, and annually in August.

Finally, we held two major fundraisers, but failed to properly follow procedures outlined in Guidelines for Sponsoring an Independent Activity Fundraiser. Our meeting on November 21, 2013, clarified these expectations, and was very helpful in correcting some points of confusion. We have reviewed these expectations with fundraiser sponsors to ensure future compliance.

Thank you again for your support. This audit has helped us improve our financial procedures and practices. If you have any additional questions, please call me at 301-649-8000.

Copy to:  
Ms. Mills