


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

June 11, 2015

MEMORANDUM

To: Diantha R. Swift, Principal
Sligo Creek Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2012, through April 30, 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 financial records are detected.

In our meeting on June 5, 2015 with you, and Mrs. Carole Taylor, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated April 5, 2012, 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

Effective internal control includes the receipt and review by the principal of the monthly bank statement, bank reconciliation and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date. We found that required reviews

were not completed consistently, as indicated by your signature and date, during our audit period. We recommend you initiate a process that ensures this important internal control process occurs monthly (see MCPS Financial Manual, p. 20-8).

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. 20-4). 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. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. When a check is drawn to complete a purchase, the documentation should be notated to indicate it has been paid. In our random sample of disbursements, we found many of them did not have adequate documentation to fully explain the reason for the expenditure, invoices were not always signed by the receiver and documentation was not being marked as "Paid". By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that prescribed documentation be attached to fully explain the reason for each purchase.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted to the administrative secretary together with MCPS Form 280-34, *Remittance Slip*, on the day the funds are received. We found indications that staff collecting funds were holding them rather than remitting timely to the administrative secretary. We recommend that all staff who collect funds for school activities be reminded of remittance requirements (see MCPS Financial Manual p. 7-4).

Sponsors of field trips should keep records of the names of trip participants with the amount collected from each, and provide this information to the administrative secretary when all fees have been collected. MCPS Form 280-41, *Field Trip Accounting*, or an equivalent accounting form, should be used for this purpose. We found some field trip fees were not being remitted in a timely manner. Also, the data required to enable reconciliation of field trip accounts was not always provided. To minimize the risk of loss, all funds collected should be given to the administrative secretary daily. We recommend Form 280-41 or equivalent be provided to the administrative secretary when all fees have been collected (see MCPS Financial Manual, p. 20-10).

Summary of Recommendations

- Principal should initial and date monthly report to signify review;
- Purchaser must confirm receipt of goods or services prior to disbursement;
- Purchase invoices and receipts must be annotated as "Paid" to indicate disbursement was made;

- Funds collected should be remitted, receipted and deposited promptly; and
- Sponsors of field trips should prepare complete financial information for each trip and submit it to the administrative secretary when all funds have been remitted.

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:LS:sd

Copy to:

Dr. Zuckerman
Dr. Navarro
Dr. Statham
Ms. Mills
Mr. Sanderson
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit

June 30, 2015

MEMORANDUM

To: Matt Devan, Director

From: Diantha R. Swift, Principal, Sligo Creek Elementary School

Subject: Response to Report of Audit of Independent Activity Funds

The following action has been taken based on the findings and recommendations of the audit for the period of January 1, 2012 to April 30, 2015.

- The administrative assistant will meet with me regularly and I will initial and date monthly reports to signify my review. I will include the date with my signature on the envelope of the bank statement, general ledger report, the checking account reconciliation and the monthly accounting report.
- The administrative assistant will confirm receipt of goods or services prior to disbursement. Additionally, the goods will be rechecked once they are distributed to staff.
- All staff are required to complete a *Request for Purchase* (MCPS Form 280-54) and obtain pre-approval prior to making a purchase. The administrative assistant will determine if the funds are available subsequent to the purchase. The *Request for Purchase* will be submitted and approved at least 3 days in advance of the purchase of the goods or services. Invoices will be stamped "paid" and attached to the Form 280-54 to indicate disbursement was made.
- During preservice, all processes and procedures for handling funds will be reviewed. Cash and checks are to be remitted to the administrative secretary with MCPS Form 280-34, *Remittance Slip*. All funds are to be turned in on a daily basis and not held in the classrooms. Activity sponsors will be given a monthly activity account reconciliation report to reflect the balances in each account. Differences will be reconciled immediately. The administrative assistant will maintain these records and will assure the return of the account confirmations.
- The instructional data assistant will develop an excel spreadsheet for each classroom teacher with student's names. This will simplify and standardize the

process for maintaining records for field trip funds that are collected. The field trip sponsors will prepare complete financial information for each trip and will be submitted to the administrative assistant when all funds have been remitted. The field trip sponsor will receive an accounting of funds after the field trip is completed.

Thank you for your continued support. We appreciate all that you do for us as we move forward into the coming year.