


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

November 26, 2012

MEMORANDUM

To: Mr. Richard J. Rhodes, Principal  
Sligo Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
February 1, 2011, through September 30, 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 20, 2012, with you and Ms. Yolanda Alston, financial specialist, we reviewed the status of the conditions described in our prior audit report dated April 4, 2011, 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 previously reported that improvements were needed to strengthen controls over purchases. While the conditions resulting in those reported findings have been addressed, we found additional improvements are needed. Staff making purchases for the school should note on

invoices that all goods or services have been satisfactorily received before submitting them for payment. In addition, we noted that the principal's monthly purchase card log had not been approved by the community superintendent. We recommend a process be implemented to correct these weaknesses.

We also found improvements are needed in management and control of physical education uniforms. The sponsor should attempt to have only the number of garments on hand to meet current needs. When new inventory is received, it should be counted and the invoice noted that all merchandise has been received. Inventory should be counted and inventory control forms should show both the cost and sales price, along with records of merchandise distributed free or at reduced cost. This process will help assure that all funds due the school are remitted.

#### Summary of Recommendations

- Receipt of goods or services must be confirmed prior to disbursement;
- Purchase card transactions of the principal must be reviewed and approved by the respective community superintendent; and
- Physical Education uniform sale and inventory processes should comply with the requirements outlined in the *Handbook for the Operation of School Stores*.

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

RWP:LS:sd

#### Copy to:

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

MEMORANDUM

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

From: Richard J. Rhodes, Principal, Sligo Middle School *RJR*

Subject: Response to Audit of Independent Activity Funds for the Period  
February 1, 2011, through September 30, 2012

Based on the findings and recommendations of the aforementioned audit report, I have implemented the following practices to remedy deficiencies:

<b>Summary of Recommendations</b>	<b>Implementation for improvement</b>
<b>Receipt of goods or services must be confirmed prior to disbursement.</b>	We will continue to strengthen controls over purchases by ongoing reinforcement of the requirement that Form 280-54 be signed by me, prior to any purchases being made. Additionally, we will require staff to confirm all goods or services have been satisfactorily received before submitting invoices for payment.
<b>Purchase card transactions of the principal must be reviewed and approved by the respective community superintendent.</b>	My American Express transaction logs are sent electronically for Bronda Mills' review and approval. Transaction logs for October and November have been signed by Ms. Mills. The December transaction log is pending her approval/signature. As such, the process has been implemented to correct this finding
<b>Physical Education uniform sale and inventory processes should comply with the requirements outlined in the <i>Handbook for the Operation of School Stores</i>.</b>	I will meet with Ms. Sullivan, who heads the physical education department, to review the current inventory of physical education uniforms. Periodic updates of the inventory will be requested to reconcile with funds received for P.E. uniforms.