


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

August 11, 2014

MEMORANDUM

To: Dr. Harold A. Barber, Principal
Watkins Mill Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2012, through June 30, 2014

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 8, 2014 with you, and Mrs. Carol Gecoma, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated December 31, 2012, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2014. 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

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account history report 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).

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 evidence indicating delays by some sponsors remitting funds, and the administrative secretary receipting and depositing them. We also noted that funds collected for lost media materials were all deposited near the end of the school year. To minimize the risk of loss, we recommend staff be encouraged to remit cash and checks collected for IAF activities daily to the administrative secretary for prompt deposit in accordance with MCPS policy and procedures.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms must be signed by the principal (and associate superintendent, when required), prior to conducting the trip. Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, eligible students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be provided to the administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report. We did not find field trip approval forms. Also, we noted that not all sponsors provided completed data at the conclusion of each trip, and that data was not compared to the final account history reports. 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).

In accordance with the April 16, 2012, memorandum from the chief operating officer, the expenditure of general funds to provide refreshments for staff meetings and staff appreciation is \$60 per staff FTE per fiscal year. Although you were well within the guidelines for the amount of these expenditures at the time of our audit, we found instances in which expenditures were not recorded in accordance with the IAF chart of accounts. Recording transactions in accounts that more accurately describe the expenditures increases the value of your financial reports for future decision making. We recommend that all disbursement related to staff meeting refreshments and staff appreciation be recorded in the accounts designated for these items to enable monitoring of these sums.

Summary of Recommendations

- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary;
- Funds collected by sponsors must be promptly remitted to the administrative secretary and promptly deposited in the bank;
- 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; and
- Accounting transactions must conform to the IAF chart of accounts.

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. LaVerne G. Kimball, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:LS:sd

Copy to:

Mr. Bowers
Dr. Navarro
Dr. Statham
Mr. Sanderson
Dr. Kimball
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

WATKINS MILL ELEMENTARY SCHOOL
19001 Watkins Mill Road
Montgomery Village, MD 20886

September 2, 2014

MEMORANDUM

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

From: Dr. Harold A. Barber, Principal *H.A.B.*

Subject: Response to the Audit of Independent Activity Funds
for period

This memorandum is in response to Watkins Mill Elementary School's Audit of Independent Activity Funds (IAF) for period December 31, 2012, through June 30, 2014. We have addressed the points raised since our last audit on August 8, 2014, as outlined in this memorandum. Please let me know if you have any questions or need additional information.

As suggested, the following procedures have been reviewed for implementation with fidelity. The monthly account history reports will be provided to the sponsors of school activities for affirmation of transaction correctness and returned to the administrative secretary. Funds collected by sponsors will be promptly remitted to the administrative secretary and promptly deposited in the bank. Field trip records prepared by sponsors will provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip. Additionally, accounting transactions will conform to the IAF chart of accounts.

As a result of the auditor's review, we will establish a procedure to ensure that all statements are reviewed and returned to the administrative secretary. In addition, staff will be encouraged to remit cash and checks collected for IAF activities daily to the administrative secretary for prompt deposit in accordance with MCPS policy and procedures. Trip sponsors will 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. Trip planning will be reviewed to ensure established fees are commensurate with trip expenses. Finally, all disbursement related to staff meeting refreshments and staff appreciation will be recorded in the accounts designated for these items to enable monitoring of these sums.

Copy to:

Dr. LaVerne G. Kimball, Associate Superintendent
Ms. Kathy Jones-Ewing, Administrative Services Manager I