


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

August 27, 2014

MEMORANDUM

To: Ms. Jennifer S. Lane, Principal  
Westbrook Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
December 1, 2010, 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 12, 2014 with you, and Ms. Barbara Kahn, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated February 15, 2011, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2013. 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 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 obtained when required for most purchases. Many disbursements did not have adequate documentation to fully explain the reason for the expenditure, and invoices were frequently missing and not always signed by the receiver. 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 complete documentation be attached to fully explain the reason for the purchase.

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 purchase logs and summary reports were not reviewed each month by the principal. Some transactions were not supported with receipts, and some invoices were not marked to indicate satisfactory receipt of goods or services. 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). As previously reported, sponsors continue to hold 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, we recommend staff remit all funds collected for IAF activities daily to the administrative secretary for prompt deposit in accordance with MCPS policy and procedures.

Sponsors of field trips should have a complete class or club roster of student names to annotate how much 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 for comparison to remittances recorded in the trip account history report. The data can also be helpful to estimate future trip costs. We again found not all sponsors are providing completed data at the conclusion of each trip for reconciliation and planning future trips. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or equivalent, for recording of trip fees and provide complete data at the completion of each trip (see MCPS Financial Manual, p. 20-9).



Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement, and purchaser must confirm receipt of goods or services prior to disbursement (repeat);
- Purchase card activity must be in compliance with the MCPS *Purchasing Card User's Guide*;
- Funds must be promptly remitted by sponsors and timely verified, receipted, and deposited in the bank by the administrative secretary (repeat); and
- 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).

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. Donna S. Hollingshead, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:AB:sd

Copy to:

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

Fiscal Management Action Plan

School: Westbrook Elementary School  
 Approved by community superintendent:   
 Principal: Jennifer S. Lane  
 Date of approval: 09/22/14

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Prior approval was not obtained for IAF purchases	Process explained during pre-service and form placed in staff handbook and on Tshared. Administrative Secretary will return requests for reimbursement that have not been pre-approved.	August 2014 and ongoing	
Purchase card logs were not reviewed monthly by the principal	Monthly summary reports will be prepared by cardholders or their designee and submitted to the Administrative secretary	Ongoing from September 2014	
Staff are not submitting fees collected to Administrative Secretary in a timely fashion.	Proper procedure reviewed during pre-service by both Administrative secretary and Principal. Included in Staff handbook. Administrative Secretary will reinforce. Encourage greater use of Online School Funds payment.	August 2014 and ongoing	
Administrative secretary is not depositing all fees daily.	Change in schedule for Administrative Secretary to deposit funds more frequently. School has purchased a safe for those times when it is impossible for Administrative Secretary to get to the bank.	August 2014 and ongoing	
Field trip sponsors have not been providing adequate accounting of funds received from individual students.	Field trip process has been reviewed with all professional staff during pre-service and supporting documents placed in the handbook and on Tshared. Encourage greater use of Online School Funds payment, and include information from this program in Field Trip accounting documentation.	August 2014	

Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.