

Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

October 23, 2012

MEMORANDUM

To: Dr. Patricia A. Kelly, Principal  
Westover Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
September 1, 2009, through August 31, 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 October 2, 2012, with you and Ms. Robin Stopak, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated November 23, 2009, 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

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, bank reconciliation report and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date. We could find no indication that these important reviews were completed consistently 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. 8). 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. In our random sample of disbursements, prior approval was not consistently obtained. By requiring prior approval, the principal retains control over the expenditure of IAF Funds. We recommend that Form 280-54 be prepared by staff and signed by the principal at the time verbal approval is sought so that purchase orders and invoices bear a date subsequent to the approval date. In addition, documentation supporting purchases was neither marked by recipients to indicate satisfactory receipt of purchased goods or services, nor marked "paid" by the financial agent upon payment.

While purchases using the MCPS purchase card do not require pre-approval using Form 280-54, each purchase must be supported by a receipt which confirms that goods or services have been received, must be recorded on a monthly log that has these receipts attached, and the log must be approved and signed by the principal. A principal's purchase card documentation must be forwarded to the respective community superintendent for approval. We found that only two purchasing card logs were prepared but that neither documentation supporting the purchases had been marked "paid" nor approval obtained from the community superintendent (see the MCPS *Purchasing Card User Guide* or *Principals Handbook*).

Review of field trip activities again revealed that not all field trip sponsors are providing completed financial information to the administrative secretary at the completion of a trip. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and submit the data to the administrative secretary when a trip is completed (see MCPS Financial Manual, p. 13). The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above.

#### Summary of Recommendations

- Monthly financial reports must be signed and dated by the principal to indicate review;
- Purchase requests must be approved by the principal prior to procurement (repeat);
- Receipt of goods or services must be confirmed prior to disbursement (repeat);
- Invoices and receipts must be annotated as "paid" to indicate disbursement was made (repeat);
- Purchase card transactions of the principal must be reviewed and approved by the respective community superintendent (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. Myra J. Smith, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:RM:sd

Copy to:

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

Westover Elementary School  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Silver Spring, Maryland

December 4, 2012

MEMORANDUM

To: Roger Pisha, Supervisor  
Internal Audit Office

From: Patricia A. Kelly, Principal  
Westover Elementary School

Subject: Response to Report on Audit of Independent Activity Funds for the Period  
September 1, 2009, through August 31, 2012

The following steps have been taken to address the findings and recommendations addressed in the audit report dated October 23, 2012.

- I will sign and date all monthly financial reports to indicate I have reviewed them.
- Staff has been advised to complete MCPS form 280-54, Request for a Purchase. All purchases will be approved before they are actually made. Invoices will bear a date subsequent to the approval date. All supporting documentation will be marked paid.
- Purchase card purchases will be recorded on a monthly log, and receipts will be attached. The log will be signed by the principal.
- Invoices and receipts will be marked as "paid", indicating disbursement was made.
- Staff has been advised to complete field trip accounting form 280-41 for each trip and that the completed form should be submitted to the administrative secretary at the conclusion of the trip.

Copy to:  
Dr. Smith