


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

October 21, 2013

MEMORANDUM

To: Mrs. Charlene E. Garran, Principal  
Ashburton Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
July 1, 2010, through September 30, 2013

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 8, 2013, with you and Mrs. Marjorie Jacobs, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated October 15, 2010, 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

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

random sample of disbursements, prior approval was not consistently obtained. Many disbursements did not have adequate documentation to fully explain the reason for the expenditure, and invoices were 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.

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 reconciliation report. The data should also be used to estimate future trips. We found that not all sponsors are providing completed data at the conclusion of each trip, and that data is not being compared to the final account reconciliation report nor used for planning future trips. 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).

Contracts for school pictures shall specifically state the terms of the contract including commissions, rebates, bonuses, and free items provided by the vendor. Once the contract is approved by the principal, it must be monitored to ensure compliance. Although we could not locate a contract for FY 2013, commissions recorded in the general ledger were significantly less than those received in the prior two fiscal years. We recommend the vendor be contacted to verify compliance for commissions due your school. We further recommend a process be established to monitor contract activity that ensures receipt of all statements to verify compliance with the terms of the contract.

#### Summary of Recommendations

- Expenditure of funds must be approved by the principal prior to procurement;
- Receipt of goods or services must be confirmed prior to disbursement;
- Invoices and receipts must be annotated as paid to indicate disbursement was made;
- 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;
- Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses; and
- Contracts signed by the principal must be monitored to ensure compliance.

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.

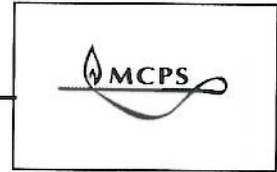
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Copy to:

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

# Ashburton Elementary School

6314 Lone Oak Drive, Bethesda, MD 20817 \* 301-571-6959



Date: November 4, 2013

## Memorandum

To: Roger Pisha, Supervisor, Internal Audit  
From: Charlene Garran, Principal *C. Garran*  
Re: Internal Audit

In response to the findings and recommendations from our recent audit of the financial records, reports and internal accounting controls of the Independent Activity Funds for the period June 1, 2010 through September 30, 2013, the following specific comments are made:

- Review of the Request for Purchase Form, 280-54, prompts a need to once again reinforce to staff on school policies for check request/approval and for documentation to accompany these forms. We will check that the purchaser has signed to indicate receipt of the items. While I verbally and by email approve transactions prior to purchase, I will ask that staff present the 280-54 prior to purchase and show signed documentation before they are reimbursed for purchases over \$50 (*as stated in our Staff Handbook*).
- Review of the field trip accounting procedures revealed that some field trip funds are not recorded properly; particularly those students who receive scholarships. Teachers and account sponsors will be instructed of their responsibilities as they turn in field trip receipts and forms or as they sponsor activities. They will be asked to reconcile funds collected at the end of the trip. Field trip planning will be reviewed to better predict the cost of a trip.
- Contracts signed by the principal will be more closely monitored to ensure compliance. In the case of the portrait/yearbook contract, I met with the senior representative of Lifetouch in both the summer of 2012 and 2013 to work out the details of our relationship, but we realized that we do not have a current signed contract. Mr. McIlvain reported to me that he found a substantial difference in profit in 2013 than in prior years. Upon further investigation, there was a large deposit from fall pictures that was receipted, but somehow it was not reflected in the new picture account when the SFO rollover was completed. We actually made more profit this year than in past years.

We appreciate the thorough and informative manner in which the auditor, Bob McIlvain, approached the process.

CC: Dr. Donna Hollingshead, Associate Superintendent of Elementary Schools