MEMORANDUM

To: Mrs. Carmen L. Van Zutphen, Principal
   Bel Pre Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period
         September 1, 2011, through September 30, 2015

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 2, 2015, with you and Mrs. Madeline Ramirez, administrative secretary,
we reviewed the status of the conditions described in our prior audit report dated October 3, 2011,
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

Cash and checks collected by sponsors and other authorized individuals for IAF activities must be
remitted to the administrative secretary on the day they are received and must be accompanied by
MCPS Form 280-34, Remittance Slip. We found that sponsors were using a remittance slip
developed at the school rather than Form 280-34. We recommend that all staff who collect funds for
school activities be reminded of remittance requirements (see MCPS Financial Manual, pp. 7-3, 7-4)
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. 20-6). 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, and marked or stamped “Paid” upon disbursement of funds, and attached to Form 280-54. In our random sample of disbursements, we found prior approval was not consistently obtained, invoices were not always signed by the recipient, and invoices were not stamped or marked “Paid.” 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 you at the time verbal approval is sought, so that purchase orders and invoices bear a date subsequent to the approval date, and that all invoices are marked by the recipient to indicate purchased goods or services were satisfactorily received and stamped or marked “Paid” to avoid duplicate payment.

We noted instances where MCPS Form 280-54, Request for a Purchase, was not used when disbursements were made to MCPS. Regardless of the documentation that approved the procurement of goods and services, all disbursements from a school’s IAF will be approved by the principal using MCPS Form 280-54, prior to the expenditure of funds (see MCPS Financial Manual, p. 20-6).

Summary of Recommendations

- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the administrative secretary;
- Purchase requests must be approved by the principal prior to procurement;
- Purchaser must confirm receipt of goods or services prior to disbursement; and
- Purchase invoices and receipts must be annotated as “Paid” to indicate disbursement was made.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Mrs. Ramirez which greatly facilitated our audit. 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 Mrs. Cheryl L. Smith, director of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:GB:sd

Copy to:
Dr. Zuckerman
Dr. Statham
Dr. Navarro
Dr. Kimball
Mrs. Smith
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit
November 19, 2015

MEMORANDUM

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

Through: Carmen van Zutphen, Principal

From: Madeline Ramirez, Administrative Secretary

Subject: Response to Audit of Independent Activity Funds for the Period September 1, 2011, through September 30, 2015

The following steps have been taken to comply with the findings of the Independent Activity Funds Audit for the period of September 1, 2011 through September 30, 2015:

- We have informed all staff members in writing that MCPS Form 280-34, Remittance Slip, has to be used instead of the one developed at the school.
- For procurement of goods and services, we will make sure that an MCPS 280-54, Request for Purchase, be done and approved by the principal prior to disbursement.
- All Requests for a Purchase will be fully explained. We will recommend to staff that invoices and receipts be given in a timely manner.
- Purchase invoices and receipts will be annotated as "PAID" to indicate disbursement was made.

Copy to:
Cheryl Smith