


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

August 27, 2014

MEMORANDUM

To: Mr. Lee F. Derby, Principal
Cedar Grove Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
September 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 20, 2014, with you, and Mrs. Mary Christy, 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 to record expenditures in appropriate accounts, and to ensure that expenditures comply with IAF requirements. In our random sample of disbursements, we again found that prior approval was not consistently obtained. By requiring prior approval, the principal retains control over the expenditures 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.

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 not all card members were using the logs, and the principal's log had not been submitted to the appropriate official for approval. We recommend purchasing card members be required to comply with the requirements of the MCPS *Purchasing Card User's Guide*.

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 instances in which staff collecting funds for field trips and fundraisers were holding funds rather than remitting them in a timely manner to the administrative secretary (see MCPS Financial Manual, p. 7-4). We recommend that all staff who collect funds for school activities be reminded of remittance requirements.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (repeat);
- Purchase card activity must be in compliance with the MCPS *Purchasing Card User's Guide*; and
- Funds collected by sponsors must be promptly remitted to the administrative secretary.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Mrs. Christy, 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 Dr. LaVerne G. Kimball, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:GB:sd

Copy to:

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




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September 22, 2014

MEMORANDUM

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

From:  Lee Derby, Principal
Cedar Grove Elementary School

Subject: Response to Report on Audit of Independent Activity Funds for the Period
September 1, 2010, through June 30, 2014.

This memo is to address the concerns that were reflected in the recent audit:

- **Control Over Purchases** – I have reviewed the procedures with the staff regarding getting prior approval for purchases using MCPS Form 280-54. These forms are available to staff on-line as well as through our staff's Tshared folder. I have informed them if purchases are less than \$50 they have verbal permission to make such purchase. This is also reflected in our Staff Handbook.
- **Purchasing Card Activity** - Staff with access to purchasing cards have been reminded about submitting MCPS Form 234-21 to me monthly with receipts for signature. The principal's log will be sent to the associate superintendent for signature. This procedure has been in place since late 2013-14 school year and will continue on a regular basis.
- **Funds Collected by Sponsors** – Staff will be reminded that all funds collected by them need to be turned into the administrative secretary on a daily basis. All sponsors use MCPS Form 280-34 when submitting funds. In some rare cases, (Friday afternoon/evening events), funds will be secured until Monday when they will be receipted and deposited.

If you have any additional questions or concerns, please don't hesitate to contact me.

LFD:mtc

Copy to:
Dr. Kimball