


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

December 17, 2014

MEMORANDUM

To: Mr. William J. Collins, Principal
Damascus Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2010, through October 31, 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 December 15, 2014, with you, and Mrs. Barbara Watkins, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated November 12, 2010, and the status of present conditions. It should be noted that your appointment as acting principal was effective January 22, 2014. 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. This form should be filed with the attached invoice marked or stamped "Paid". In our random sample of disbursements, we again found prior approval was not always obtained when required, 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 stamped or marked "Paid" and properly filed.

Purchase card transactions were audited based upon requirements of the previous MCPS provider. Cardholders were to record purchases on transaction logs and submit them monthly with invoices and receipts attached for review and approval by the principal. Monthly summary reports were to be reviewed, signed and dated by the principal to ensure that purchases were appropriate and within established limits. We again found that logs were not maintained on a monthly basis, receipts and invoices were missing or not attached, monthly cardholder statements and monthly summary reports were not always reviewed, signed and dated by the principal. The current MCPS purchase card provider replaces the manual log with online transaction reconciliation. We recommend compliance with the requirements of the MCPS *Purchasing Card Users Guide*.

Sponsors of school activities involving the collection or disbursement of IAF should be provided an account history report each month in which transactions have been recorded in their account and or have a balance. We again found this essential internal control procedure was not always being used. We noted that the administrative secretary did not routinely provide sponsors with monthly account history reports when required. We recommend sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the statements should be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all statements are reviewed and returned (see MCPS Financial Manual, p. 20-9).

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 were holding funds rather than remitting them timely 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.

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. 20-9). The record of 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

- Purchase requests must be approved by the principal prior to procurement (repeat);
- Purchaser must confirm receipt of goods or services prior to disbursement (repeat);
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made (repeat);
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide* (repeat);
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary (repeat);
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the administrative secretary; 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.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Mrs. Watkins, 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. Kimball
Dr. Navarro	Mrs. DeGraba
Dr. Statham	Mrs. Milwit
Mr. Sanderson	Mrs. Chen

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Office of the Principal

MEMORANDUM

To: Roger W. Pisha, Supervisor, Internal Audit
From: William J. Collins, Acting Principal 
Subject: Response to Internal Audit of Independent Activity Funds

This is in response to the Internal Audit of Damascus Elementary School's Independent Activity Funds for the period October 1, 2010 through October 31st, 2014.

1. **Prior Principal Approval:** Teachers are now required to submit Form 280-54, Request for Purchase, at the time verbal approval is sought. In addition, the administrative secretary will ensure that each Request for Purchase Form contains a check number corresponding to the disbursement and that these are filed in numerical order with the original invoice attached. The invoices will be stamped "Paid" at the time in which the disbursement is issued.
2. **Purchase Card Transaction Procedures:** We will continue to keep more accurate records on our spending using the Monthly Purchase Card Log, card holder statements and summary reports in accordance with the purchase card user's guide. I will ensure that monthly purchase card summary statements are reviewed on-line and reconciled monthly. As well as, ensuring that receipts are attached to the summary statements.
3. **Sponsor Account Guidelines:** Account sponsors of school activities will be provided an account history report for each month that transactions have been recorded in their account or carry a balance. The administrative secretary and principal will ensure that account sponsors verify each transaction and sign, date and return these statements. In addition, we will ensure that any funds collected by sponsors be remitted on the day they were collected using the corresponding remittance form to the administrative secretary.
4. **Field Trip Accounting:** The principal will review all fieldtrip accounting procedures with teachers and administrative secretary will reinforce these procedure on an ongoing basis. We will ensure that all funds collected are consistently turned in daily to the main office accompanied by the Fieldtrip Accounting Form (280-41). Fieldtrip sponsors will also submit the Fieldtrip Accounting Form with all financial information to the administrative secretary at the completion of each fieldtrip.

The above mentioned action steps will be taken to address the concerns stated in the internal audit memorandum. I appreciate the support and guidance provided by the Internal Audit Office on matters related to our independent activity funds account.

Copy to:
Dr. LaVerne Kimball, Associate Superintendent

Fiscal Management Action Plan

School: Damascus ElementaryActing Principal: William J. Collins

Approved by community superintendent: _____

Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Prior approval for procurements were not always obtain by requester	<p>The principal will require staff to submit Form 280-54, Request for Purchase, at the time verbal approval is sought.</p> <p>Administrative secretary will ensure that each Request for Purchase Form contains a check number corresponding to the disbursement and that these are filed in numerical order with the original invoice attached.</p>	Effective Immediately and On-going	Signed and dated Request for Purchase Form
Invoices were not always signed by the recipient	<p>Administrative secretary will stamp "received" and date all invoices upon receipt.</p> <p>The principal will review and sign all invoices after each has been stamped and received.</p>	Effective Immediately and On-going	Date stamped and signed invoices
Invoices were not stamped / marked paid	Administrative secretary stamped "Paid" on all invoices at the time in which the disbursement is issued.	Effective Immediately and On-going	Date stamped and signed invoices
Purchase card transaction logs were not maintained on a monthly basis	Administrative secretary will Barb prepare and maintain the purchase card transaction logs monthly, even if the card has not been used and provide to principal for signature prior to submitting to Associate Superintendent.	Effective Immediately and On-going	Monthly purchase card transaction logs

Receipts / invoices were missing or not attached and monthly card holder statements and summary reports were not always reviewed, signed and dated by the principal	Administrative secretary will ensure that all receipts and documentation are reconciled and attached to the monthly summary statements for review and signature of the principal. The principal will verify and sign monthly statements.	Effective Immediately and On-going	Receipts, invoices, monthly card holder summary reports will be attached signed and dated by the principal
Collection of funds from sponsors were not consistently remitted to administrative secretary on the day they were received	The principal will review all fieldtrip accounting procedures with teachers. Administrative secretary will make diligent and consistent efforts to ensure that all funds collected by staff / sponsors are consistently turned in daily basis to the main office.	Effective Immediately and On-going	Receipts of funds submitted and bank deposit statements.
Fieldtrip sponsors were not consistently maintaining proper fieldtrip records for reconciliation of student participants and funds collected	Administrative secretary will make diligent and consistent efforts to ensure that all fieldtrip funds collected are consistently turned in daily basis to the main office and accompanied by the Fieldtrip Accounting Form (280-41). Administrative secretary will ensure that fieldtrip sponsors submit Form 280-41 with all required information to the administrative secretary at the completion of each fieldtrip.	Effective Immediately and On-going	Completed Form 280-41 and any additional documents relevant to each trip.

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