


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

January 13, 2014

MEMORANDUM

To: Mrs. Carol A. Lange, Principal
Diamond Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2010, through November 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 January 10, 2014, with you, and Mrs. Diane McCaffrey, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated October 13, 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. Also, documentation supporting purchases should be marked by the recipient to indicate goods or services were satisfactorily received.

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the administrative secretary. We again noted instances in which several field trip sponsors continued to hold fees collected rather than remit them on daily basis. To minimize the risk of loss, all funds collected should be remitted daily. We recommend staff be required to submit cash and checks collected for IAF activities to the administrative secretary for prompt deposit in accordance with MCPS policy and procedures.

Summary of Recommendations

- Expenditure of funds must be approved by the principal prior to procurement (repeat); and
- Funds collected must be promptly remitted by sponsors to the administrative secretary (repeat).

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Mrs. McCaffrey, 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. Statham
Dr. Schiavino-Narvaez
Mr. Sanderson
Dr. Kimball
Mrs. DeGraba
Mrs. Milwit
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Diamond Elementary School



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MEMORANDUM

To: Roger W. Pisha, Supervisor, Internal Audit

From: Carol R. Lange, Principal
Diamond Elementary School

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

In response to the audit report dated January 13, 2014 we have addressed the recommendations as follows:

MCPS Form 280-54, Request for Purchase, is used to obtain principal approval to proceed with an intended purchase.

The issue was discussed at a staff meeting. The forms will be used prior to purchases, and will be more readily available for staff members in anticipation of expected purchases.

Funds collected must be promptly remitted by sponsors to the administrative secretary.

As discussed at one of our leadership meetings, team leaders will remind their teammates that all funds collected must be submitted to the administrative secretary by the end of the day. No money should be held in the classroom.

The administrative secretary will confirm with teachers currently collecting funds that all funds have been submitted at the end of each day.

We are certain that our next audit report will show improvement in these areas.

CRL:ddm

Copy to:
Dr. Kimball