


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

November 19, 2013

MEMORANDUM

To: Ms. Wanda L. Means Harris, Principal
Dr. Charles Drew Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2011, through October 31, 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 November 13, 2013, with you and Mrs. Portia Babcock, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated November 18, 2011, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2013. 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. In our random sample of disbursements, we again found that prior approval was not consistently

obtained. We also noted that purchasers did not always annotate receipts and invoices to indicate the satisfactory receipt of the goods or services, and that upon disbursement, invoices and receipts were not always annotated by the administrative secretary to indicate payment. Action is needed to bring purchasing into conformity with MCPS requirements (see MCPS Financial Manual, p.20-5).

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. If the purchasing card member is the principal, documentation is submitted to the respective associate superintendent for review and approval. We found that purchase logs and summary reports were not reviewed each month by the principal, some transactions were not supported with receipts, some invoices were not marked to indicate satisfactory receipt of goods or services, and the principal's documentation was not sent to the associate superintendent for approval. We recommend purchasing card members be required to comply with the requirements of the MCPS *Purchasing Card Users Guide*.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Each fund-raiser should be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund-raising activity should be recorded in a separate account in the 7000 series, a completion report should be prepared by the sponsor that analyzes the results, and the proceeds should be transferred to a benefiting account prior to disbursement of funds (see MCPS Financial Manual, p. 20-12). Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. We found that there was a lack of adherence to these guidelines.

Summary of Recommendations

- Expenditure of funds must be approved by the principal prior to procurement (repeat);
- Receipt of goods or services must be confirmed prior to disbursement;
- Invoices and receipts must be annotated as paid to indicate disbursement was made;
- Adequate documentation must be provided to support disbursements;
- Purchase card transactions must include supporting documentation that is reviewed and approved by the principal or associate superintendent; and
- Fund raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*.

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. Myra J. Smith, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:RM:sd

Copy to:

Mr. Bowers

Dr. Statham

Dr. Schiavino-Narvaez

Mr. Sanderson

Dr. Smith

Mrs. DeGraba

Mrs. Milwit

Mrs. Chen

DR. CHARLES R. DREW ELEMENTARY SCHOOL
1200 Swingingdale Drive
Silver Spring, Maryland 20905
(301) 989-6030

December 10, 2013

MEMORANDUM

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

From: Mrs. Wanda Means-Harris, Principal

Subject: Response to the Audit of Independent Activity Funds for the period
October 1, 2011, through October 31, 2013

In accordance with the Montgomery County Public Schools (MCPS) Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, this memorandum is in response to the recommendations made from the Dr. Charles R. Drew Elementary School audit report dated, November 19, 2013.

The following procedures will be reviewed with the administrative secretary and the staff through staff meetings, staff bulletins, and the Drew Staff Handbook.

Request for Purchase

- MCPS Form 280-54, *Request for Purchase*, will be completed at the time verbal requests for funds are made and approval given so that purchase orders and invoices bear a date subsequent to the approval date.
- Annotated receipts and invoices documenting satisfactory receipt of goods and/or services will be submitted and attached to *Requests for Purchase* by the administrative secretary.
- Prior to disbursement, receipt of goods services will be confirmed and noted on receipts and invoices by the administrative secretary.

MCPS Purchasing Cards

- American Express purchase logs and summary reports will be reviewed and signed monthly by me.
- Annotated receipts and invoices documenting satisfactory receipt of goods and/or services will be submitted and attached to the purchasing card logs by the administrative secretary.

Fund-Raising

- Written requests and approval for fund-raising activities will be documented using the Fund Raiser Request form from the *Guidelines for Sponsoring an IAF Fund Raiser*.
- A summary of financial activities including funds raised and an analysis of the results will be documented on the Fund Raiser Completion Report form (Attachment 6) from the *Guidelines for Sponsoring an IAF Fund Raiser*.

Please let me know if additional information is needed.

Copy to:
Dr. Myra J. Smith, Associate Superintendent