MEMORANDUM

To: Dr. Adrienne L. Morrow, Principal
    East Silver Spring Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period
         September 1, 2008, through January 31, 2012

This audit report presents the results of our examination of the financial records, reports, and internal accounting controls relating to the Independent Activity Funds (IAF) for your school for the period designated above. The examination was made to evaluate the adequacy of accountability over these funds, compliance with applicable Montgomery County Public Schools (MCPS) policies and procedures, and effectiveness of IAF management.

In our meeting on March 7, 2012, with you and Ms. Bernadette Sykes, administrative secretary, we reviewed conditions described in our previous report dated October 22, 2008, and the status of present conditions. Our findings and recommendations appear below.

Findings and Recommendations

The monthly general ledger report and bank reconciliation should be prepared and submitted to you by the visiting bookkeeper. Your review of these items with the administrative secretary and visiting bookkeeper provides an overview of IAF activity and will alert you to matters warranting further inquiry. In addition, you should also review the checking account statement to ensure that the balance reconciles with the general ledger and check register balances. These monthly reports should be signed and dated to indicate your review (see MCPS Financial Manual p. 20-8).

We noted checks signed by the principal, which were given to staff for purchases without the amount space filled in. Neither the principal nor any other school employee should sign a check until both the payee and amount spaces have been completed (see MCPS Financial Manual p. 20-5). Use of the school purchasing card, with its pre-approved limits, would improve controls over such purchases.

Payments to independent contractors may be made only after IRS Form W-9 has been obtained. Such payments must be reported monthly to the Division of Controller (DOC) using MCPS
Form 280-47A, *Independent Activity Funds Report of Payments to Independent Contractors*, as described in MCPS Regulation DIA-RB, *Payments for Personal Services and Reimbursements for Expenses from School Independent Activity Funds (IAF3)*. Among your disbursements, we found payment for services to a contractor that was not reported to the DOC. We recommend that payments for personal services be made and reported in compliance with the applicable regulations and procedures (see MCPS Financial Manual, p. 20-13).

MCPS purchasing card members must record purchases on transaction logs and submit logs monthly with invoices and receipts attached for review and approval by the principal. We found that logs were not signed by the principal, were not maintained on a monthly basis, receipts and invoices were not attached, and monthly card member statements and monthly summary reports from American Express were not retained for audit purposes. We recommend purchasing card members be required to comply with the requirements of the MCPS *Purchasing Card Users Guide*, and that records be retained in accordance with MCPS Financial Manual p. 20-14.

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, and were not preparing Form 280-34 (see MCPS Financial Manual p. 7-4). We recommend that all staff who collect funds for school activities be reminded of remittance requirements.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We found that there was a lack of adherence to the approval and completion reporting guidelines. 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. 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 800 series and a completion report prepared that analyzes the results. Completion reports should also be retained in the school office (see MCPS Financial Manual, p. 20-11).

MCPS Regulation DMB-RA, *Control of Admission Receipts*, provides requirements for the accounting for sales of tickets. We noted a carnival fund raiser in which tickets were sold but Form 280-50, *Tickets and Cash Report of Admissions Manager*, was not prepared to reconcile tickets issued to tickets returned and recorded receipts. We recommend that ticket sales to all events be controlled in accordance with the above cited regulation.

**Summary of Recommendations**

- Monthly financial reports must be reviewed and approved by the principal (repeat);
• Checks should not be issued without complete information including amount;

• Independent contractor payments must be reported monthly to the Division of Controller;

• Purchase card activity must be in compliance with the MCPS Purchasing Card Users Guide;

• Funds collected must be promptly remitted by sponsors to the financial agent using MCPS Form 280-34 (repeat);

• Fundraiser documentation must include both approval form and completion report (repeat); and

• Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Ms. Sykes 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 Ms. Bronda L. Mills, community superintendent. The Office of School Performance will follow up on this audit.

RWP:GB:sd

Copy to:
Mr. Bowers
Dr. Lacey
Mr. Talley
Ms. Mills
Mrs. DeGraba
Mrs. Milwit
Mr. Doody
To: Roger W. Pisha, Supervisor, Internal Audit

From: Dr. Adrienne L. Morrow, Principal
East Silver Spring Elementary School

Subject: Response to Report on Audit of Independent Activity Funds
For the Period of September 1, 2008, through January 31, 2012

Finding: It is expected that the monthly general ledger report and bank reconciliation should be reviewed with the administrative secretary, and that the bank statement balance reconciles with the general ledger and check register balances. These monthly reports should be signed and dated to indicate that I have reviewed these reports.

Actions: I will continue to review the bank statement and the monthly reports prepared by our visiting bookkeeper with my administrative secretary, but in addition I will be sure to initial and date the separate reports to verify that I have reviewed them.

Finding: On occasion I have asked certain staff members to make purchases with a school check, without having the amount filled in.

Action: I understand that this is not acceptable, and have discontinued the practice. I am using the school purchasing card as recommended by the auditor.

Finding: Over the time period covered by the audit it was seen that a payment to an independent contractor had been made without IRS Form W-9, and that it was not reported to DOC using Form 280-47A.

Action: At the time this payment was made I did not realize that it fell under the independent contractor category. It has not and will not be repeated.

Finding: Purchasing card logs were not maintained in accordance with the requirements of the Purchasing Card Users Guide.

Action: I have addressed this with my administrative secretary.

Finding: Form 280-34 did not accompany field trip collections; some teachers did not remit collected funds on the day they were collected. It was noted that Form 280-34 should accompany any funds collected by staff for school activities.

Action: This has been addressed and corrected. In addition, my administrative secretary contacted Susanne DeGraba to bring attention to the fact that Form 280-34, Remittance Slip, asks for the same information that Form 280-41, Field Trip Accounting, requires. She noted that this redundancy results in a significant increase in the amount of both paper and time required.
Finding: That there was a lack of adherence to the approval and completion reporting guidelines in fund raising.

Action: Fundraisers at East Silver Spring ES are limited to one sponsored by the principal and one—Book Fair—sponsored by our PTA. The observations shared with us by Mr. Beal were helpful and instructive, and will be followed as recommended.

Recommendation: Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

Action: Mr. Beal’s discussion regarding activities that involve ticket sales was again helpful. We will incorporate his recommendations when we plan for our end of the year carnival.