


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

March 19, 2013

MEMORANDUM

To: Mrs. Gay E. Melnick, Principal  
Flower Valley Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
March 1, 2010, through January 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.

It should be noted that all but seven months of the audit period under review were prior to your appointment as principal effective July 1, 2012.

In our meeting on February 26, 2013, with you, and Mrs. Helen Velez, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated May 12, 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

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms signed by the principal should be retained. Review of field trip documentation disclosed that not all trips had principal approval on file.

Sponsors of school activities which involve the collection or disbursement of IAF funds should be provided an account statement for each month in which transactions have been recorded in their accounts, and be required to verify that transactions have been correctly recorded. Although these statements were being issued, we found that some sponsors did not verify and return them. We recommend a procedure be established to ensure that all statements are reviewed, signed after any discrepancies are resolved, and returned to the administrative secretary (see MCPS Financial Manual, p. 20-9).

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. In our random sample of disbursements, we found prior approval was not consistently obtained. Many disbursements did not have adequate documentation to fully explain the reason for the expenditure, and invoices were not always signed by the receiver. By requiring prior approval and complete documentation, 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 invoices or receipts bear a date subsequent to the approval date, and that complete documentation be attached to fully explain the reason for the purchase.

### Summary of Recommendations

- Field trip approval forms must be signed by the principal prior to conduct of trips;
- Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the administrative secretary (repeat);
- Expenditure of funds must be approved by the principal prior to procurement; and
- Adequate documentation must be provided to support disbursements.

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. Donna S. Hollingshead, community superintendent. 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

Dr. Marks

Dr. Hollingshead

Mrs. DeGraba

Mrs. Milwit

Mrs. Chen

Flower Valley Elementary School  
4615 Sunflower Drive  
Rockville, Maryland 20853

MEMORANDUM

To: Dr. Donna Hollingshead, Community Superintendent

From: Mrs. Gay E. Melnick, Principal

Subject: Responses of Audit of Independent Activity Funds for the Period  
March 1, 2010, through January 31, 2013.

Date: May 1, 2013

Written below are my responses to findings in our recent Independent Activity Funds Audit.

1. I will make sure all Field Trip approval forms are submitted to me prior to a field trip.
2. With regards to the Sponsor's statement sheet, I will review the importance of the Sponsor's accuracy of the statement and signature.
3. I will reiterate to all staff, that prior to purchasing any items, they are required to get approval from me and that Form 280-54 must be completed.

If you have any questions, please do not hesitate to contact me.