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
         February 1, 2013, through April 30, 2016

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 June 14, 2016, with you, and Ms. Galit Zolkower, principal intern, and
Mrs. Helen Velez, administrative secretary, we reviewed the status of the conditions described in
our prior audit report dated March 19, 2013, 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

We noted instances where MCPS Form 280-54, Request for a Purchase, was not used when
disbursements were made to MCPS. Regardless of the documentation that approved the
procurement of goods and services, all check disbursements from a school’s IAF will be
approved by the principal using MCPS Form 280-54, prior to the expenditure of funds (see MCPS Financial Manual, p. 20-6).

The procurement of certain items using IAF funds requires higher level approval from the chief operating officer (COO). MCPS Form 281-53, Restricted IAF Purchases Request for the Chief Operating Officer’s Approval, is used to request the purchase of furniture and equipment that is usually procured with central office or capital budget funds. In our review of disbursements, we noted the payment of $8,216 for furniture to MCPS for general school and staff lounge use. We found no evidence that Form 281-53 was used to obtain prior written authorization from the COO for this expenditure. We recommend the school follow the procedures outlined above for future expenditures of this amount (see MCPS Financial Manual, p. 20-5).

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS Purchasing Card Users Guide. By the fifth of the following month, cardholders must use the online reconciliation program to identify, describe and review transactions. Monthly statements must be printed and provided to the principal, with all purchase receipts and invoices attached. The principal must review each cardholder’s transactions and approve them by the tenth of the following month, using the online reconciliation program. We found the cardholders had prepared their monthly statements and reviewed their transactions in the online reconciliation program. However, we found that the principal had not approved any of the transactions online. Action is needed to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Cash and checks collected by sponsors and others authorized for IAF activities must be remitted with MCPS Form 280-34, Remittance Slip, to the administrative secretary on the day they are received. We found instances in which staff collecting funds for field trips were holding rather than remitting them timely to the administrative secretary. We also noted that receipts and other source documents were not always included to support Forms 280-34, and were not filed in sequential order. We recommend that all staff who collect funds for school activities be reminded of remittance requirements and that document filing complies with MCPS guidelines (see MCPS Financial Manual, p. 7-4). To reduce the workload of cash handling requirements for sponsors and administrative secretary, we further recommend using Online School Payments (OSP).

Review of field trip activities revealed that not all 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. 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. In addition, the financial agent should perform a reconciliation of the activity at its conclusion. We recommend all sponsors be required to use Form 280-41, or equivalent and follow the procedures outlined above (see MCPS Financial Manual, p. 20-10).
Summary of Recommendations

- Check disbursements must be documented using MCPS Form 280-54;

- Purchases over $7,500, with certain exceptions, must have COO approval;

- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*;

- Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the financial agent;

- Cash handling by sponsors and financial agents can be reduced using OSP; 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. Velez, 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 Mr. Pat Abrunzo, director of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:GB:sd

Copy to:
  Dr. Zuckerman
  Dr. Statham
  Dr. Navarro
  Dr. Kimball
  Mr. Abrunzo
  Mrs. Chen
  Mrs. DeGraba
  Mrs. Milwit
June 30, 2016

MEMORANDUM

To: Mrs. Loretta Favret, Director

From: Mrs. Gay E. Melnick, Principal

Subject: Audit of Independent Activity Funds

I have received the audit of Flower Valley Elementary School's Independent Activity Funds for the period February 1, 2013, through April 30, 2016.

The procedures and actions to strengthen accountability were discussed with Mr. George Beall, Accountant, Ms. Helen Velez, Administrative Secretary, Ms. Galit Zolkower, Principal Intern, and myself and will be handled as follows:

- All check disbursements will be documented using MCPS Form 280-54, Request for Purchase

- Prior approval will be requested from the Chief Operating Officer (COO) on all purchases over $7,500 per calendar year using MCPS Form 281-53, Restricted Independent Activity Fund (IAF) Purchases.

- Procedures for collecting funds by sponsors and the use of MCPS Form 280-34, Independent Activity Fund (IAF) Remittance Slip will be reviewed and enforced with all professional staff during pre-service week, August 23-26, 2016.

- Ms. Velez, administrative secretary, has registered to take the SFO Online School Payments training on August 17, 2016. This will reduce the amount of time spent on cash handling requirements.

- I completed the MCPS Purchasing Card (JP Morgan Mastercard) Training with Donna Flewellyn today and processed all outstanding online transactions.

- Field trip procedures have been restructured to include MCPS Form 280-41, Field Trip Accounting. Sponsors will record cost and fee information for each field trip and submit the data to Ms. Velez, administrative secretary, immediately following the trip.

Copy to: Internal Audit