


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

January 20, 2012

MEMORANDUM

To: Ms. Robin Weaver, Principal  
Harmony Hills Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
February 1, 2009, through October 31, 2011

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 indicated 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 January 4, 2012, with you and Mrs. Marlene Pineda, administrative secretary, we reviewed conditions described in our previous report dated May 8, 2009, and the status of present conditions. While most conditions discussed in the previous report have been improved or resolved, additional effort is needed regarding advance approval of expenditures. Our findings and recommendations appear below.

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 sample of disbursements, prior approval was not consistently obtained. By requiring prior approval, the principal retains control over the expenditure 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 invoices or receipts bear a date subsequent to the approval date. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining your approval in the beginning of the school year. These budgets should be monitored by your financial specialist and revised if necessary.

In accordance with MCPS Regulation DIA-RB, *Payments for Personal Services from School Independent Activity Funds*, payments to MCPS employees must be processed through the

MCPS payroll system to ensure compliance with federal tax requirements regarding the reporting of income and the withholding of taxes. We found several instances in which MCPS employees were paid directly from IAF for an extended day program. We recommend following the payroll procedures published by the Employee and Retiree Service Center.

IAF accounts with positive balances which have neither receipts nor expenses recorded during the fiscal year, and which are not restricted as to use should be closed by transferring the balance to a benefiting account or to the general account as appropriate. Accounts with negative balances representing student activities which have no reasonable expectation of additional remittances should be eliminated by transfer at the end of each fiscal year. We provided you with a list of your accounts deemed to be inactive as described, and recommend you enlist your visiting bookkeeper to conduct research for possible closure of these accounts.

#### Summary of Recommendations

- Expenditure of funds must be approved by the principal prior to procurement (repeat);
- Payments to MCPS employees must be processed through the MCPS payroll system; and
- Inactive and negative balance accounts should be investigated for possible closure.

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. Christopher S. Garran, community superintendent. The Office of School Performance will follow up on this audit.

RWP:RM:sd

Copy to:

Mr. Bowers  
Dr. Lacey  
Mr. Talley  
Dr. Garran  
Mrs. DeGraba  
Mrs. Diamond  
Mr. Doody



**Fiscal Management Action Plan**

School: **Harmony Hills Elementary School**  
Principal: **Robin Weaver**

Date of approval: \_\_\_\_\_

Approved by community superintendent: \_\_\_\_\_

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Controller Over Purchases	Administrative Secretary will bring MCPS Form 280-54 to daily meeting with principal to sign prior to expenditure. Principal will submit MCPS Form 280-46 or MCPS Form 280-47A for all MCPS staff receiving funds from the IAF.	2.13.12	Sample of REVISED MCPS Form 280-54 is attached
Payments for Personal Service from School Independent Activity Funds	Principal will submit MCPS Form 280-46 or MCPS Form 280-47A for all MCPS staff receiving funds from the IAF. It is understand that payments to MCPS employees must be processed through the MCPS payroll system.	2.13.12	Sample of submitted MCPS Forms 280-46 and 280-47A
Inactive and Negative Balance Accounts	Principal will consult with the Bookkeeper to close accounts which are no longer active or have a negative balance(s). Inactive accounts will be closed out at the end of fiscal school year.	2.21.12	Review of End of Year Accounting