


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

December 2, 2013

MEMORANDUM

To: Mr. Floyd D. Starnes, Principal
Kemp Mill Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2010, 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 20, 2013, with you, and Mrs. Peggy Thompson, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated November 22, 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

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 the

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 sample of disbursements, we found prior approval was not consistently obtained and invoices were not annotated to indicate the goods or services were received satisfactorily. 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, and that purchasers annotate on invoices the satisfactory receipt of goods or services to support disbursements.

MCPS purchasing card members must record purchases on transaction logs and submit them monthly with invoices and receipts attached for review and approval by either the principal or associate superintendent, as appropriate. Although logs were being prepared, we found that they were not consistently reviewed for approval by the appropriate official. We recommend purchasing card members be required to comply with the requirements of the MCPS *Purchasing Card Users Guide*.

Sponsors of field trips should have a complete class or club roster of student names and annotate how much each student paid, students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be submitted to the administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account reconciliation report. The data should also be used to estimate future trips. We again found not all sponsors are turning in completed data at the conclusion of each trip, and that data is not being compared to the final account reconciliation report. We also found instances in which fees collected did not conform with sums needed to pay for a trip. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, and provide complete data at the conclusion of each trip. This data must be reconciled with remittances recorded in activity accounts. We further recommend trip planning be reviewed to ensure established fees are commensurate with trip expenses (see MCPS Financial Manual, p. 20-9).

Summary of Recommendations

- Expenditure of funds must be approved by the principal prior to procurement;
- Receipt of goods or services must be confirmed prior to disbursement;
- Purchase card activity must be in compliance with the MCPS *Purchasing Card User's Guide*;
- 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 (repeat); and

- Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses.

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 Ms. Bronda L. Mills, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

Mr. Bowers
Dr. Statham
Dr. Schiavino-Narvaez
Mr. Sanderson
Ms. Mills
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen




Montgomery County Public Schools

Kemp Mill Elementary School
411 Sisson Street, Silver Spring, MD 20902
301-649-8046

December 9, 2013

MEMORANDUM

To: Mr. Roger W. Pisha, Internal Audit
From:  Floyd Starnes, Principal
Subject: Response to Report on Audit of Independent Activity Funds

This memorandum is being written in response to the findings and recommendations of the audit of the financial records, reports, and internal accounting controls relating to the Independent Activity Funds for Kemp Mill Elementary School for the period September 1, 2010, through October 31, 2013.

The following are actions we have taken to address the concerns raised by the audit:

- We have instituted a strict policy with respect to MCPS Form 280-54, *Request for a Purchase*. In order to be reimbursed for any purchases, staff members must submit a 280-54 and receive principal's signature before making the purchase.
- Invoices for goods and services will be signed by purchaser prior to disbursement.
- Monthly, we will fill out the American Express Card Member Transaction Log (Form 234-21) and forward it to the central office.
- We have established procedures that ensure that sponsors provide data that accounts for all students who are eligible to participate and that reconciles funds collected with the cost of the trip. In addition, we will continue to be vigilant about matching the field trip fees with the expected trip expenses.

I want to thank you and your office for affirming the good work that our staff has done to establish good financial procedures, and also for providing us with the feedback that will help us to improve in our stewardship of these funds.

Copy to:
Ms. Mills