MEMORANDUM

To:       Ms. Kim M. Redgrave, Coordinator
Stephen Knolls School

From:     Roger W. Pisha, Supervisor, Internal Audit Unit

Subject:  Report on Audit of Independent Activity Funds for the Period
          October 1, 2013, through December 31, 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 fund-raisers. They are responsible for ensuring
that the IAFs are administered in accordance with MCPS policies, regulations, and procedures.

The 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 the 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.

At our meeting on January 26, 2017, with you and Mrs. Jessica L. Speer, school administrative
secretary, we reviewed the status of the conditions described in our prior audit report dated
December 16, 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

Disbursement of the IAF must be controlled in a number of ways. All purchases must be approved
in advance and in writing using MCPS Form 280-54: Independent Activity Funds Request for a
Purchase. After the purchase is completed, the purchaser should submit the invoice or
documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or
services, to the school administrative secretary. Upon disbursement, the school administrative
- Fund-raisers must be approved by the principal in advance of conducting the activity.
- Fund-raiser completion reports must be prepared by the sponsor for analysis.
- Accounting transactions for each fund-raiser must be recorded in separate SFO accounts.
- Apply for a CR number with the state comptroller to comply with sales tax requirements.

Other matters were discussed and satisfactorily resolved. We appreciate 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 Unit within 30 calendar days of this report, with a copy to Mr. Michael D. Bayewitz, director of school support and improvement of elementary schools. In your response, please share a detailed plan for addressing these issues including appropriate staff training and support. The Office of School Support and Improvement will follow up on this audit.

RWP:CAP:ish

Copy to:
  Members of the Board of Education
  Dr. Smith
  Dr. Navarro
  Dr. Statham
  Dr. Zuckerman
  Mr. Civin
  Dr. Johnson
  Dr. Kimball
  Mr. Bayewitz
  Mrs. Camp
  Mrs. Chen
  Ms. Diamond
  Mr. Tallur
  Mr. Ikhehoa
## Findings and Recommendations of School's Financial Report

<table>
<thead>
<tr>
<th>Description of Resolution And Person(s) Responsible</th>
<th>Timeline</th>
<th>Evidence of Completion</th>
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<tbody>
<tr>
<td>The administrative secretary will ensure that proper receipt of goods is obtained and submitted by the purchaser prior to disbursement. The administrative secretary will also properly mark all receipts as “paid” using a stamp and note the date and check number issued, and will ensure sponsors mark all items received.</td>
<td>As needed</td>
<td>Completed Form 280-54, with documentation of purchase, signatures indicating goods received, and properly stamped receipts.</td>
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<td>The principal and administrative secretary will ensure that there is adequate separation of duties in any future fundraising events. The cash handling process will conform to MCPS protocol; involving more than one person. The administrative secretary will thoroughly count all funds to ensure proper amount is being received.</td>
<td>As needed</td>
<td>Completed form 280-34, and copies of issued receipts.</td>
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<tr>
<td>A lack of advanced written principal approval to conduct the fundraisers, as well as a lack of completion reports to analyze results. Commingling of funds by recording accounting transactions for more than one fundraiser within the same SFO account.</td>
<td>As needed</td>
<td>Signed and completed fundraiser requests, as well as copies of fundraiser reports and SFO records that properly match each completed 280-34 form.</td>
</tr>
<tr>
<td>Fundraiser sales were noted for which sales tax had not been collected and remitted to the State of Maryland.</td>
<td>As needed</td>
<td>Documentation of registration with Maryland state comptroller, and CR number.</td>
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### Note:
A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.