


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 1, 2017

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:lsh

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. Ikheloa

Fiscal Management Action Plan

School: Stephen Knolls

Principal: Kim Redgrave

Approved by community superintendent: Date of approval: 3/27/17

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Invoices or documented evidence of purchase were not annotated by the purchaser to indicate the satisfactory receipt of the goods or services, and the documentation supporting purchases was not stamped or marked "paid".	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.	As needed	Completed Form 280-54, with documentation of purchase, signatures indicating goods received, and properly stamped receipts.
The school administrative secretary collected funds for a fundraiser, as well as created the associated receipt and deposit. In addition, the amount of funds deposited in the bank was more than the amount of the cash and checks received.	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.	As needed	Completed form 280-34, and copies of issued receipts.
A lack of advanced written principal approval to conduct the fundraisers, as well as a lack of completion reports to analyze results. Comingling of funds by recording accounting transactions for more than one fundraiser within the same SFO account.	Any future fundraising activities will be approved by the principal in advance. Fundraiser completion reports will be prepared by the administrative secretary for sponsor analysis. Finally, all accounting transactions for each fundraiser will be recorded in separate SFO accounts.	As needed	Signed and completed fundraiser requests, as well as copies of fundraiser reports and SFO records that properly match each completed 280-34 form.
Fundraiser sales were noted for which sales tax had not been collected and remitted to the State of Maryland.	An application for a CR number from the state comptroller will be completed for any future fundraisers/merchandise sales by the administrative secretary.	As needed	Documentation of registration with Maryland state comptroller, and CR number.

Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.