

Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

October 13, 2015

MEMORANDUM

To: Mrs. Deborah R. Higdon, Principal  
Lakelands Park Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
January 1, 2014, through August 31, 2015

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 October 1, 2015 with you, and Mrs. Catherine Tsakanikas, financial specialist, we reviewed the status of the conditions described in our prior audit report dated May 6, 2014, 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. 20-4). 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. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, we again found prior approval was not consistently obtained, invoices were not marked to indicate satisfactory receipt, and some expenditures were recorded in accounts that were not descriptive of the activity. 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 the principal at the time verbal approval is sought. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining your approval at the beginning of the school year. These budgets should be monitored by your financial specialist and revised if necessary.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the financial specialist with MCPS Form 280-34, *Independent Activity Fund Remittance Slip*, on the same day they are received to minimize the risk of loss or theft. The funds should be verified in the presence of the remitter, and a receipt should be issued promptly. In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and either place the sealed envelope in the business office safe or receive written acknowledgement that it was provided to the financial specialist. Verification of these funds will be conducted in the presence of the remitter as soon as possible thereafter. We again found that some sponsors were holding funds collected rather than remitting them to the financial specialist on a daily basis. Also, there was no process for securing funds when the financial specialist was unable to verify them. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual, pp. 7-3, 7-4.

Review of field trip activities again revealed that although sponsors are providing cost and fee information as funds are collected and remitted, not all field trip sponsors are providing comprehensive financial information to the financial specialist 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 financial specialist when a trip is completed. The record of the names of participants and sums collected provides assurance that all field trip fees have been remitted. 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).

Sixth grade students at each middle school in MCPS participate in a three-day, two-night residential outdoor environmental education program (OEEP) for which they are assessed an activity fee to reimburse MCPS for personal expenses associated with the program. Students unable to pay the OEEP activity fee receive waivers. Any waivers must be reported to MCPS so that the total amount of the invoice billed to schools is adjusted accordingly. We found that the school did not correctly report all funds collected from students resulting in an underpayment to MCPS. We were also unable to reconcile funds collected to the IAF activity account due to total amounts paid not being listed on the field trip accounting sheet. We recommend that you review

the procedures for field trip accounting and reporting students needing financial assistance with the sponsor, and that field trip accounting and financial assistance forms are reviewed for accuracy before they are submitted to OEEP.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (repeat);
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made (repeat);
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the financial specialist (repeat); 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 (repeat).

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. Darryl L. Williams, associate superintendent of secondary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

Dr. Zuckerman  
Dr. Statham  
Dr. Navarro  
Dr. Williams  
Mrs. Thomas  
Mrs. Chen  
Mrs. DeGraba  
Mrs. Milwit



Lakelands Park Middle School  
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Gaithersburg, Maryland 20878  
[www.mcps.k12.md.us/schools/lakelandsparkms](http://www.mcps.k12.md.us/schools/lakelandsparkms)

301-670-1400

November 13, 2015

Mr. Roger W. Pisha  
Supervisor, Office of Shared Accountability  
Carver Educational Services Center  
850 Hungerford Drive, Room 11  
Rockville, Maryland 20850

Dear Mr. Pisha,

I am writing in response to the Audit of Independent Activity Funds report for the period of January 1, 2014 through August 31, 2015, dated October 13, 2015, for Lakelands Park Middle School, done by one of MCPS' internal auditors.

Since the October 2015 audit meeting, improvements have already been made. Procedures have been revised and reviewed with staff. The attached Fiscal Management Action Plan documents what has already been put into place. Lakelands' new financial assistant will attend all financial assistant classes to continue improving the management and accountability of Lakelands' IAF reporting.

Please contact me if you have questions about this response or suggestions for improvement.

Sincerely,  
Deborah R. Higdon  
Principal

Copy to:  
Dr. Darryl Williams

**Fiscal Management Action Plan**  
November 13, 2015

**School:** Lakelands Park Middle School

**Principal:** Deborah R. Higdon

**Approved by associate superintendent:** \_\_\_\_\_

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

<b>Findings and Recommendations of School's Financial Report</b>	<b>Description of Resolution And Person(s) Responsible</b>	<b>Timeline</b>	<b>Evidence of Completion</b>
Purchase requests must be approved by the principal prior to procurement.	Responsibility of the financial assistant. Financial assistant will not issue a check without the principal's signature.	Immediately	All purchase request forms will have all signatures before disbursements are made.
Some sponsors held funds collected rather than remitting them to the financial specialist.	Responsibility of the financial assistant. Financial specialist will meet with all sponsors again and will review expectations.	December 2015 staff meeting	All sponsors will sign-in indicating that they received the training. Sponsors will be required to use form 280-41.
Not all sponsors of field trips provided comprehensive financial information to the FA at the completion of the trip.	Responsibility of the financial assistant. Information shared with staff / sponsors about required procedures.	December 2015 staff meeting	All sponsors will sign-in indicating that they received the training. FA will require all sponsors to complete the field trip completion form.
Some student waivers for outdoor education were not reported for reimbursement.	Responsibility of the financial assistant. The financial assistant will work with the sixth grade team leaders to document all waivers and will complete the MCPS waiver form.	March 2016 when we have ODE again	FA and sixth grade team leaders will review the database to verify all students who attended paid or had a waiver. FA will complete a MCPS waiver form for all students.
Disbursements must be fully documented to support payments. Documentation needs to include all students eligible to participate.	Responsibility of the financial assistant. The financial assistant will require all sponsors forms to be complete before issuing checks.	Immediately and at December staff meeting	Procedure put in place immediately and posted on LPMS private. Will be included in the December review.

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