


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

October 9, 2014

MEMORANDUM

To: Mr. Ryan D. Forkert, Principal
Luxmanor Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2010, through August 31, 2014

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 3, 2014, with you and Mrs. Lillian Flores, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated October 11, 2010, and discussed further actions needed to strengthen the accountability for IAF resources. 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

While we commended you for progress made, some conditions continue to need improvement. MCPS Form 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed

with an intended purchase. 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 random sample of disbursements, we again found some disbursements did not have adequate documentation to fully explain the reason for the expenditure, and invoices were not always signed by the receiver. We also found that documentation supporting purchases not stamped or marked "paid". Action is needed to correct these conditions and bring purchasing into conformity with MCPS requirements (see MCPS Financial Manual, p. 20-5).

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms signed by the principal (and associate superintendent, when required), should be retained. The administrative secretary should establish a separate account in the IAF for each 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 administrative secretary when a trip is completed (see MCPS Financial Manual, p. 20-9). The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. Review of field trip activities again revealed that some field trip sponsors failed to provide financial information to the administrative secretary at the conclusion of a trip, making reconciliation of receipts difficult. We also found that approval forms signed by the associate superintendent were not on file for trips that required such approval. We recommend all sponsors be required to follow the procedures outlined above.

In addition to the above weaknesses previously identified, additional conditions in controls need to be strengthened. Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted to the administrative secretary together with MCPS Form 280-34, *Remittance Slip*, on the day the funds are received. We found instances in which staff held funds rather than remitting them timely to the administrative secretary. We also found that staff did not always complete the required remittance form in advance of remitting funds. We recommend that all staff who collect funds for school activities be reminded of remittance requirements (see MCPS Financial Manual p. 7-4).

MCPS purchasing card members must record allowable purchases on transaction logs and submit them monthly with invoices and receipts attached for review and approval by the principal. We found that logs were not reviewed by the principal and that some receipts were missing. We also noted that the IAF card was sometimes used for staff social committee purchases, which is prohibited. We recommend purchasing card members be required to comply with the requirements of the MCPS *Purchasing Card Users Guide*.

Summary of Recommendations

- Purchase documentation must be adequate to support disbursements (repeat);

- Purchaser must confirm receipt of goods or services prior to disbursement (repeat);
- Purchase invoices and receipts must be annotated as “paid” to indicate disbursement was made;
- 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);
- Field trip records must include documentation of associate superintendent’s approval, when required;
- Funds collected by sponsors must be promptly remitted to the administrative secretary, accompanied by a completed MCPS Form 280-34; and
- Purchase card activity must be in compliance with the MCPS *Purchasing Card User’s Guide*.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Mrs. Flores. 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. Donna S. Hollingshead, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:VAD:sd

Copy to:

Mr. Bowers
Dr. Navarro
Dr. Statham
Mr. Sanderson
Dr. Hollingshead
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

Fiscal Management Action Plan

School: Luxmanor Elementary School

Principal: Ryan Forkert

Approved by community superintendent: 

Date of approval: 10/16/14

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Use MCPS Form 280-54, Request for a Purchase, prior to purchases. Invoices should be signed by purchaser to indicate receipt. The purpose of each disbursement must be fully explained on form.	Prior to any request for funds, the administrative secretary will continue to ensure form 280-54 is completed, including the purpose for each purchase. The administrative secretary will have the purchaser sign all invoices to indicate they have received the purchase and ensure that all receipts have been collected to be attached to the form. The principal will approve all purchases in advance.	Immediately 10/13/14	Completed MCPS Forms
All staff will utilize MCPS Form 280-41, Field Trip Accounting Form, for all field trips and documentation for field trips requiring associate superintendent approval will be retained with field trip records.	The administrative secretary will review all appropriate field trip accounting procedures with all teachers, including how to utilize form 280-41. Teachers will utilize this form for all filed trips. The administrative secretary will ensure that field trip sponsors provide comprehensive data to account for all students eligible to participate to reconcile funds collected with costs of the trip. Field trip files will be reviewed by the principal to ensure county procedures have been followed. Documentation for field trips requiring associate superintendent approval will be retained with field trip records.	Immediately 10/13/14	Completed MCPS Forms and field trip files
Transaction logs should be completed for purchased made with the MCPS purchasing card.	In addition to verbal approval and monthly review of all purchasing card statements by the principal, the administrative secretary will additionally submit monthly logs for review and approval by the principal.	Immediately 10/13/14	Completed MCPS forms
Funds collected by sponsors must be promptly remitted to the administrative secretary accompanied by MCPS Form 280-34	Staff have been reminded to utilize form 280-34 and submit any monies collected daily to the administrative secretary.	Immediately 10/13/14	Completed MCPS Forms
Purchase receipts must be stamped with "PAID"	Purchase receipts will stamped with "PAID"	Immediately 10/13/14	Received purchase receipts