


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

March 20, 2014

MEMORANDUM

To: Mr. Kenneth L. Marcus, Principal
Mill Creek Towne Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2010, through January 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 March 12, 2014, with you, and Mrs. Maria Young, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated October 15, 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

We noted several checks that had been signed and issued for making purchases prior to a dollar amount being entered on them. All checks will be completed with date, payee, and amount prior

to any signature (see MCPS Financial Manual, p. 20-5). Use of the school purchasing card, with its pre-approved limits, would improve controls over such purchases.

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 appropriate accounts, and to ensure that expenditures comply with IAF requirements. In our random sample of disbursements, we again found that prior approval was not consistently obtained. By requiring prior approval, 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 so that purchase orders and invoices bear a date subsequent to the approval date. Also, documentation supporting purchases must be stamped or marked "paid" to avoid duplicate payment, and marked by the recipient to indicate purchased goods or services were satisfactorily received.

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account statement for each month in which transactions have been recorded in their account. We found this essential internal control procedure was not being used. We recommend sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the statements should be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all signed statements are reviewed and returned to the administrative secretary (see MCPS Financial Manual, p. 20-9).

Review of field trip activities again revealed that not all field trip sponsors are providing completed financial information to the administrative secretary 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 administrative secretary when a trip is completed (see MCPS Financial Manual, p. 20-9). The record of names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above. In addition, we noted instances in which several field trip sponsors continued to hold fees collected rather than remitting them timely to the administrative secretary. We recommend that all staff who collect funds for school activities be reminded of remittance requirements (see MCPS Financial Manual, p. 7-4).

Summary of Recommendations

- Checks will not be signed and released by the principal until fully completed;
- 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;
- Monthly account transaction statements must be provided to sponsors for affirmation of correctness and returned to the financial agent;
- 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
- Funds collected by sponsors must be promptly remitted to the administrative secretary (repeat).

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Mrs. Young, which greatly facilitated our audit. 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. Myra J. Smith, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:GB:sd

Copy to:

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

Fiscal Management Action Plan

School: Mill Creek Towne Elementary

Principal: Kenneth Marcus

Approved by community superintendent: Date of approval: 4/29/14

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Checks signed and issued for purchases prior to dollar amount entered.	Resolution: All checks will be completed with amount of purchase prior to signature. No check will be issued in advance without the required date, payee, and amount prior to signature. Person(s) Responsible: Approved signature card holders - Principal, Assistant Principal, and Administrative Secretary/	Ongoing	Checks will not be signed and released by the principal until fully completed.
Prior approval for reimbursement of purchases was not consistently obtained as evidenced by date of purchase.	Resolution: Reimbursement requests will be prepared by staff and signed by the principal at the time verbal approval is sought so that purchases and invoices bear a date subsequent to the approval date. Staff will be given a checklist and guidelines to complete in advance of intent to make purchases. The checklist and guidelines will be included along with the documented IAF procedures in the Staff Handbook posted online. Person(s) Responsible: School Staff, Principal, Assistant Principal, and Administrative Secretary.	Ongoing	Purchase requests must be approved by the principal prior to procurement.
Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account statement for each month in which transactions have been recorded	Resolution: Account summaries will be provided monthly to Sponsors of school activities upon completion of reports by the visiting bookkeeper. Monitoring tools will be in place to track the distribution and approval completion of the monthly statements. Person(s) Responsible: Administrative Secretary	Monthly	Monthly account transaction statements will be provided to sponsors for affirmation of correctness and returned to the Administrative Secretary or Financial Agent.
Invoices and receipts must be annotated as paid to indicate disbursement was made.	Resolution: All invoices and receipts will be stamped/annotated as paid at the time of disbursement. Person(s) Responsible: Administrative Secretary or Financial Agent	As received	The invoices will be marked "paid."
		As received	The checklist the MCPS form

Not all field trip sponsors are providing completed financial information to the administrative secretary at the completion of a trip.	Resolution: Field trip sponsors will provide comprehensive information, including funds reconciliation upon completion of the trip. A checklist will be provided to sponsors to assist the documentation process. Person(s) Responsible: Administrative Secretary or Financial Agent, Field Trip Sponsors		

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