MEMORANDUM

To: Mrs. Cheryl D. Pulliam, Principal
   Oakland Terrace Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period
         July 1, 2009, through June 30, 2012

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 September 13, 2012, with you and Mrs. Catherine Donohue, administrative
secretary, we reviewed the status of the conditions described in our prior audit report dated
August 19, 2009, and discussed further actions needed to strengthen the accountability for IAF
resources. We noted that to relieve overutilization at your school, an interim satellite location
was created to house kindergarten students at Sligo Middle School for school years 2010–2011
and 2011–2012. Although financial accounting and disbursement records were available for the
time period under review, we were advised that a project to remodel the main office resulted in
misplacement of some supporting documentation for fiscal years 2010 and 2011. 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. It is our opinion
that misplacement of some backup documentation does not have a material effect for this audit period.

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. 20-5). 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, 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 invoices or receipts bear a date subsequent to the approval date.

Controls for purchases completed using the MCPS purchase card differ from the above. Although pre-approval is presumed up to the established limit on each card member, each purchase must be supported by a receipt which confirms that goods or services have been received, each purchase must be recorded on a monthly log that has these receipts attached and the log must then be approved and signed by the principal. We found that purchasing card logs were not prepared and that documentation supporting purchases had not been marked “paid”. We recommend purchasing card members be required to present monthly logs of purchases for the approval and signature of the principal (see the MCPS Purchasing Card Users Guide or Principals Handbook).

Sponsor of field trips should have a complete class or club roster of student names and annotate how much each student paid, students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be turned in to the financial agent at the completion of each trip, and compared to remittances recorded in the trip account reconciliation report. The data should also be used to estimate future trips. We again found not all sponsors are turning in completed data at the conclusion of each trip, and data is not being compared to the final account reconciliation report nor used for planning future trips. We recommend trip sponsors use MCPS Form 280-41, Field Trip Accounting, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip. We further recommend trip planning be reviewed to ensure established fees are commensurate with trip expenses (see MCPS Financial Manual, p. 20-9).

Fund raising at the school was not conducted in accordance with the Guidelines for Sponsoring an Independent Activity Fund Fund Raiser. The staff versus student basketball game had income and expenses recorded in multiple accounts. By separating expenses and income from activity, we were not able to accurately evaluate the results of the fund raiser. Upon written approval, each fund raising activity should have a separate account established in the 800 series. Separate accounts provide internal control to avoid the commingling of funds involving unrelated activities and enable an accurate evaluation of the results.
Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (repeat);

- Purchase card activity must be in compliance with the MCPS Purchasing Card User's Guide (repeat);

- 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

- Fund raising must conform to *Guidelines for Sponsoring an Independent Activity Fund Raizer*.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff. In accordance with MCPS Regulation D1-A-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 Ms. Bronda Mills, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:RM:sd

Copy to:
- Mr. Bowers
- Dr. Statham
- Dr. Schiavino-Narvaez
- Dr. Marks
- Ms. Mills
- Mrs. DeGraba
- Mrs. Milwit
- Mrs. Chen
MEMORANDUM

To: Mr. Roger W. Pisha, Supervisor
   Internal Audit Office

From: Cheryl D. Pulliam, Principal

Subject: Response of Independent Activity Funds Audit Report for the Period
         July 1, 2009 through June 30, 2012

The following responses are outlined in support of the recommendations made from the
Independent Activity Fund Report of October 2, 2012

Finding and Recommendations

- Recommend that Form 280-54 be prepared by staff and signed by the principal at the
time verbal approval is sought so that invoices or receipts bear a date subsequent to the
approval date

Response:
Continued emphasis of submitting Form 280-54, Request for a Purchase, prior to the
principal's approval date will be communicated verbally and in writing through the
school's reimbursement procedures listed in the staff handbook. Staff is aware that
unauthorized purchases will not be approved. Purchase orders and invoices will bear
dates subsequent to the principal's approval date. School invoices and other evidence of
purchases will be marked "paid" as an indication that goods or services have been
received. Prior preparation and approval of school purchases by staff are reviewed and
reinforced in the staff private folder under staff handbook.

- Recommend purchasing card members be required to present monthly logs of purchases
for the approval and signature of the principal
Response:
Review of MCPS purchasing card procedures will be reiterated with staff. Purchases made with American Express will be documented on transaction logs by purchasing card members. Transaction logs and American Express statements and receipts will be reviewed and approved by the principal. The principal's log with receipts attached will be forwarded to the community superintendent for review and approval each month the purchase card is used.

- Recommend trip sponsors use MCPS Form 280-41, Field Trip Accounting, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip. We further recommend trip planning be reviewed to ensure established fees are commensurate with trip expenses (see MCPS Financial Manual, p. 20-9).

Response:
Field trip accounting and collection procedures will be outlined and reviewed with sponsors at the beginning of each field trip. Sponsors will be reminded to record fees collected for each field trip on MCPS Form 280-41, Field Trip Accounting, and submit the data to the administrative secretary when the trip is completed. Prompt remittance of fees collected by the sponsors will be emphasized during the collection period. A review of the established fees will be conducted prior to final approval of a field trip.

- Fund raising must conform to Guidelines for Sponsoring an Independent Activity Fund Fund Raiser

Response

Oakland Terrace does not have a staff versus student basketball game. We have two yearly fundraisers. Feedback (based on copies of Statement of Profit and Loss on Sale of Merchandise) on fundraisers came from yearbook and Joe Corbi's.

CP: cd

Copy to:

Ms. Mills
Mrs. Lashley
Mrs. Donohue