


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

November 14, 2012

MEMORANDUM

To: Ms. Peggy E. Salazar, Principal
Oak View Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2009, through August 31, 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 October 23, 2012, with you, and Ms. Wilma Govea, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated October 20, 2009, 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

Controls over cash receipts need improvement. Staff collecting funds for field trip fund raisers and school store sales were holding rather than remitting them timely to the administrative secretary. Also, the administrative secretary was holding money in excess of permitted amounts

by not always making timely deposits. Large and infrequent deposits increase the possibility of loss of funds, diminish the schools ability to fund activities, and are contrary to sound financial practices. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, we recommend that all funds collected should be remitted to the administrative secretary daily (see MCPS Financial Manual, p. 7-4). In addition, all remittances on hand must be deposited before each weekend or holiday.

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.

The *Handbook for the Operation of Schools Stores* provides instruction and guidance for the operation of MCPS school stores. We noted the lack of preparation of an accurate statement to enable an analysis comparing actual to expected results and identifying any unexpected losses or profit short falls. We recommend MCPS Form 281-25, *Statement of Profit or Loss on Sale of Merchandise*, be completed accurately in accordance with the *Handbook for the Operation of School Stores*. If actual results are not in line with those expected, the reason for any variance needs to be determined with an explanation reported to the principal.

Contracts for school pictures shall specifically state the terms of the contract including commissions, rebates, bonuses, and free items provided by the contractor. Once the contract is approved by the principal, it must be monitored to ensure compliance. We advised staff to contact the vendors to request any funds due but not yet received by the school. We recommend that financial staff establish a process for monitoring contract activity to ensure that all statements are received and filed, and that other terms such as free items and signing bonuses are in compliance.

Fund raising at the school was not conducted in accordance with the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We recommend that separate accounts should be used to provide internal control to avoid the commingling of funds involving unrelated activities and enable an accurate evaluation of the results.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. We found that not all field trip request forms were signed by the principal. We recommend written approval be obtained from the principal for field trip requests prior to conducting the trip, with approval documentation retained with the financial records.

MCPS Regulation DMB-RA, *Control of Admission Receipts*, provides procedures for the accounting for sales of admission tickets. While we found receipts from most events were properly controlled, tickets for two drama productions were printed and numbered at the school by the event sponsor. This effectively eliminated the vital control that results from having all tickets distributed by a ticket controller who is independent of the event sponsor. We recommend that admission to all events be controlled in accordance with the above cited regulation.

Summary of Recommendations

- Funds collected must be promptly remitted by sponsors to the administrative secretary and promptly deposited in the bank (repeat);
- Purchase requests must be approved by the principal prior to procurement (repeat);
- School store sale and inventory processes should comply with the requirements outlined in the *Handbook for the Operation of School Stores*;
- Contracts signed by the principal must be monitored to ensure compliance;
- Fund raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser* (repeat);
- Field trips must be approved in advance by the principal; and
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

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 Ms. Bronda Mills, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:RM:sd

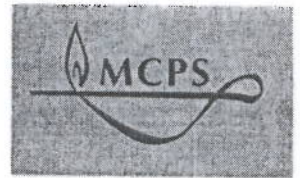
Copy to:

Mr. Bowers
Dr. Statham
Dr. Schiavino-Narvaez
Dr. Marks
Ms. Mills
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

Oak View Elementary School

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Office of the Principal



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November 19, 2012

To Whom It May Concern:

This is in response to the Audit of our Independent Activity Funds and Accounting for Financial Operations.

We have taken steps towards the following (bulleted under Summary of Recommendations):

1. My Administrative Secretary will be making bank deposits every other day if there is money to be deposited.
2. Staff who want to purchase something have been asked to send me an email and I will respond to it up or down. That email will be printed out and attached to the order/requisition to show that it was approved ahead of time.
3. The school store sponsor will be giving money she collects to my administrative secretary after each day the store is open (3 days per week) instead of waiting for the third day to hand in the money.
4. We only have 2 contracts and both are on file and I am monitoring: vending machine and Blanton Photographers.
5. We were not told that our fundraising procedures were in error when we had the final meeting with the auditor.
6. I was approving or not approving field trips through the "Trip Ticket" system electronically, but I will now sign the hard copy of the field trip packet given to my administrative secretary to satisfy the auditor.
7. We were giving tickets for a fee but we weren't noting the number of the first ticket to the number on the last ticket for record keeping purposes. We will do that from now on.

Sincerely,

A handwritten signature in cursive script that reads "Peggy Salazar".

Peggy Salazar
Principal