MEMORANDUM

To: Mr. Lawrence D. Chep, Principal
    Rachel Carson Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period
         November 1, 2011, through December 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 January 29, 2015, with you, and Mrs. Brenda Long, administrative secretary,
we reviewed the status of the conditions described in our prior audit report dated January 12,
2012, 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

Sponsors of school activities which involve the collection or disbursement of IAF should be
provided an account history report 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 statements are reviewed and returned (see MCPS Financial Manual, p. 20-9).

Summary of Recommendations

- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary (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. LaVerne G. Kimball, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:LS:sd

Copy to:
Mr. Bowers
Dr. Navarro
Dr. Statham
Mr. Sanderson
Dr. Kimball
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen
MEMORANDUM

To: Internal Audit Office

From: Lawrence B. Chep, Principal

Subject: Response to Audit of Independent Activity Funds for the Period November 1, 2011, through December 31, 2014

The following is a response to the audit report, dated January 29, 2015, containing the results of the auditor’s examination of the financial records, reports, and internal accounting controls relating to the Independent Activity Funds (IAF's) for the Period November 1, 2011, through December 31, 2014.

The report was positive, and the financial records were complete and in good condition. Below is the area recommended for improvement and the steps that will be taken to enhance internal control.

Finding and Resolution

Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary.

In the past, each team leader was given a report once the field trip was over to reconcile each teacher's account. They were also given a report while they were collecting money if it looked like they may go into the negative. Once the trip was over and all payments were made, another report was provided to the team to sign off indicating any remaining funds. It was expected that each team leader review the statements with their teammates to verify all accounts. From this time forward, each teacher/sponsor will be given a monthly statement of their accounts to verify all transactions affecting his/her account/s have been correctly recorded. This procedure will be reinforced in a memo to all staff, reinforcing the expectation to review and certify the accuracy of their monthly statement, and the requirement of returning a signed copy to the administrative secretary. It will also be reinforced during our February staff meeting. The administrative secretary will inform any teacher not in compliance of this requirement, as well as the principal.
The report was very comprehensive and I appreciate the advice and suggestions provided by Mr. Scollick. I would also like to recognize the outstanding job my administrative secretary, Brenda Long, does in ensuring the financial control procedures are followed.

I would like to recommend developing a systematic method of informing administrators when any change is made to financial regulations/procedures. It was mentioned several times during our audit conference that recent changes were made that necessitated changes to some of our procedures. However, these changes are not communicated with us. It would be advantageous to provide all principals and administrative secretaries with a memo of any and all changes in policies or procedures at the beginning of each fiscal year and/or when these changes are made.

Copy to:

   Dr. Kimball