


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

July 1, 2014

MEMORANDUM

To: Mr. Everett M. Davis, Principal
Redland Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2012, through May 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 June 30, 2014 with you, Mr. Robert Sinclair, Jr., departing principal, and Mrs. Barbara Dorsey, financial specialist, we reviewed the status of the conditions described in our prior audit report dated April 12, 2013, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2014. 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

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. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, prior approval was not consistently obtained, some expenditures were improperly recorded, disbursements for gift cards to students did not have adequate documentation to indicate who received cards, and invoices were not always signed by the receiver. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and that complete documentation be attached to fully explain the reason for the purchase. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses, and obtaining your approval at the beginning of the school year. These budgets should be monitored by your financial specialist, and revised if necessary.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement; and
- Gift cards purchased for students must be strictly controlled with issuance documented.

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. Darryl L. Williams, associate superintendent of middle schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

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

Fiscal Management Action Plan

School: Redland MS Principal: Everett Davis

Approved by associate superintendent: *Daphne Williams* Date of approval: 8/4/14

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Purchase requests must be approved by the principal prior to procurement.	<ul style="list-style-type: none"> • Include a blurb in the staff handbook and/or memo that addresses this concern (Davis). • Develop a budget for IAF sponsors of concern (those who have frequent income and expenditures) (Davis/sponsor). • Monitor IAF budget(s) of concern (Dorsey). • Review the use of the 280-54 with staff in the fall (Davis/Dorsey). • Sign invoices when goods are received (Davis). • Communicate with staff about the process for purchase requests. 	Prior to 8/18	Memo Staff Handbook (reference Financial Handbook) IAF Budget completed Pre-service week agenda topic
Gift cards purchased for students must be strictly controlled with issuance documented.	Create a form that will be used to track and secure gift cards with the financial specialist (Dorsey).	Prior to 8/18 (Preservice week)	Gift card accountability form utilized