MEMORANDUM

To: Mr. Christopher A. Wynne, Principal
    Dr. Sally K. Ride Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period
         September 1, 2010, through November 30, 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 22, 2015, with you, and Mrs. Jody Spring, administrative secretary,
we reviewed the status of the conditions described in our prior audit report dated October 13,
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

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 to 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 expenditures 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.

We again noted that controls over cash receipts need improvement. Staff collecting funds for field trips were holding funds rather than remitting them timely to the administrative secretary (see MCPS Financial Manual, p. 7-4). Also, the administrative secretary was not always making timely deposits; holding money in excess of permitted amounts (see MCPS Financial Manual, p. 7-3). Large and infrequent deposits increase the possibility of loss and decrease the school's ability to fund activities. We recommend that all staff that either collect or deposit school activity funds be reminded of cash handling requirements.

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. We noted instances in which fees recorded on field trip accounting forms did not match funds deposited. We recommend each trip be reconciled and any discrepancies be investigated.

Summary of Recommendations

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

- Funds collected by sponsors must be promptly remitted to the administrative secretary (repeat);

- Funds remitted by sponsors must be promptly deposited in the bank by the administrative secretary (repeat); and

- 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).

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Mrs. Spring, 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. LaVerne G. Kimball, 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. Navarro
Dr. Statham
Mr. Sanderson
Dr. Kimball
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen
February 26, 2015

MEMORANDUM

To: Roger W. Pisha, Supervisor, Internal Audit
From: Christopher A. Wynne, Principal
Subject: Response to Audit Report of the Independent Activity Funds (IAF) for the Period September 1, 2010, through November 30, 2014

We appreciate the feedback on the practices and protocols that we have in place to responsibly manage the funds that are raised and expended at Dr. Sally K. Ride Elementary School during and after the subject audit in January 2015. Based on the meeting with Mr. George Beall, Montgomery County Public Schools auditor, on January 22, 2015, and the written summary dated January 28, 2015, we have reflected on and improved our procedures to align with feedback that was provided to us:

- Purchase requests must be approved by the principal prior to procurement:

  MCPS policy requires that the principal give prior authorization for a purchase. Routinely, at Sally Ride, purchases are discussed with the principal prior to purchase and verbal approval is given. We will implement procedures to complete paperwork (MCPS Form 280-54, Request for a Purchase) at the time of verbal approval so that our records reflect the control that is necessary in managing and overseeing IAF expenditures. This has been discussed with staff at a February 2, 2015, staff meeting, as a standard procedure in requesting reimbursement. Staff will be expected to complete the written request at the time of inquiry.

- Funds collected by sponsors must be promptly remitted to the administrative secretary:

  Funds collected by sponsors will be remitted with MCPS Form 280-34, IAF Remittance Slip, daily to the administrative secretary. This expectation was shared with staff at the February 2, 2015, staff meeting.

- Funds remitted by sponsors must be promptly deposited in the bank by the administrative secretary:

  The administrative secretary will make deposits daily, as needed and dictated by schedule, on the last working day of the month, and before weekends and holidays. This was discussed with the administrative secretary at the January 22 summary with Mr. Beall.
Field trip records prepared by sponsors did not prove complete financial information at the completion of the trip:

Sponsors will use MCPS Form 280-41, Field Trip Accounting, at the completion of each trip and ensure that money remitted on MCPS Form 280-34, accurately matches that reflected on the accounting form at the conclusion of the trip. In addition, the accounting form will be completed accurately with the date, amount and form of payment by each student. The form will be submitted promptly to the administrative secretary so the trip can be reconciled and any discrepancies investigated. This was shared with staff at the February 2, 2015, staff meeting.

We greatly appreciate Mr. Beall’s time and suggestions on the many aspects of the IAF process at Sally Ride Elementary. If there is further information you require, please feel free to contact us.

cc:
Dr. LaVerne G. Kimball, Associate Superintendent