


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

February 22, 2013

MEMORANDUM

To: Mrs. Deborah C. Ryan, Principal  
Rosemary Hills Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
September 1, 2010, through December 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.

It should be noted that you assumed your duties as principal on July 1, 2012, and your administrative secretary assumed her duties on April 16, 2012.

In our meeting on February 20, 2013, with you, and Mrs. Susan Katz, administrative secretary, we reviewed conditions described in our previous report dated October 25, 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, *Independent Activity Funds 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. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining your approval in the beginning of the school year. These budgets should be monitored by your financial specialist and revised if necessary.

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 that data is not being compared to the final account reconciliation report nor used for planning future trips. We also found instances in which fees collected exceeded sums needed to pay for a trip. 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).

#### Summary of Recommendations

- Expenditure of funds must be approved by the principal prior to procurement (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
- Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses.

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. Christopher S. Garran, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:RM:sd

Copy to:

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

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Attachment

Fiscal Management Action Plan

School: Rosemary Hills Elementary School/794

Principal: Debbie Ryan

Approved by community superintendent: 

Date of approval: 3/5/13

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Prior approval for IAF expenditures (MCPS Form 280-54, Independent Activity Funds Request for a Purchase) was not consistently obtained.</p> <p>Expenditure of funds must be approved by the principal prior to procurement.</p>	<ol style="list-style-type: none"> <li>Review proper procedures with all staff members. (Debbie Ryan/Susan Katz)</li> <li>Prior approval will be obtained for all expenditures.</li> </ol>	<p>-Procedures effective immediately (February 22, 2013).</p> <p>-Review procedures at the March 11, 2013 staff meeting.</p>	<p>-Staff meeting agenda</p> <p>-Verification of all 280-54 forms</p>
<p>Not all sponsors are turning in a completed data sheet at the conclusion of each trip and the data is not being compared to the final account reconciliation report nor used for planning future trips. In some instances, fees collected exceeded sums needed to pay for a trip.</p> <p>Sponsor of field trips should have a complete class roster of student names and include how much each student paid, students who did not participate, 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 the remittances recorded in the trip account reconciliation report.</p>	<ol style="list-style-type: none"> <li>Sponsors will use MCPS form 280-41, Field Trip Accounting (or its equivalent) for recording trip fees. (Susan Katz)</li> <li>Sponsors will provide complete data at the conclusion of each trip. (Susan Katz)</li> <li>Review field trip planning to ensure established fees are commensurate with trip expenses. (Susan Katz)</li> </ol>	<p>-New procedures for field trip accounting forms already in place FY 13.</p> <p>-New procedures already in place to verify anticipated costs and student fees.</p>	<p>-All field trip accounting forms for recent field trips have been verified as complete and will continue to be verified.</p> <p>-Field trip pre-planning forms and field trip calculator for recent field trips are being reviewed for accuracy of fees to closely align with actual cost and will continue to be verified.</p>

Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.