MEMORANDUM

To:       Ms. Kelly Morris, Principal
          Somerset Elementary School

From:    Roger W. Pisha, Supervisor, Internal Audit Unit

Subject: Report on Audit of Independent Activity Funds for the Period
         November 1, 2015, through December 31, 2018

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. School 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 the IAFs are administered in accordance with Board of Education policies, MCPS
regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with 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 the 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 any significant errors
or omissions in the financial records are detected.

At our January 30, 2019, meeting with you and Ms. Susan E. Stringham, school administrative
secretary, we reviewed the status of the conditions described in our prior audit report dated
December 28, 2015, 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

Before the IAF is used to pay for staff development expenditures, the availability of budgeted
funds must first be considered. If the principal determines that the IAF is to be used for any staff
development expenditure, the source of the funds may not be student generated (refer to MCPS
Financial Manual, chapter 20, page 10). We found that you used student generated funds to
support staff development. We recommend that you adhere to the MCPS requirement for the source of funds to support staff development.

A school must work with the operating budget staffing allocations provided. IAF funds cannot be used to supplement staff positions or to pay for work such as summer employment, substitutes, etc. (refer to MCPS Financial Manual, chapter 20, page 21). We found that you used IAFs to pay for two paraeducators and a secretary to work additional hours during the summer. We recommend that you coordinate with your director in the Office of School Support and Improvement to initiate any request for additional staffing hours or positions above and beyond those allocated to your school.

Summary of Recommendations

- Staff development expenditures must be funded from non-student revenue sources.
- A school must work with the operating budget staffing allocations provided.

Other matters were discussed and satisfactorily resolved. We appreciate the cooperation and assistance of your staff. In accordance with MCPS Regulation DIA-RA, Accounting for Financial Operations/Independent Activity Funds, using the attached form, please provide a written response to the Internal Audit Unit within 30 calendar days of this report. In your response, please share a detailed plan for addressing these issues, including appropriate staff training and support.

Prior to returning your completed audit action plan, please contact Mr. Eric A. Wilson, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mr. Wilson will indicate whether he will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school administrative secretary to support you with developing a well-defined plan to address the findings.

RWP:SMY:ish

Attachment

Copy to:
Members of the Board of Education
Dr. Smith
Dr. Navarro
Dr. Statham
Dr. Zuckerman
Mr. Civin
Dr. Johnson
Mrs. Morris
Mrs. Camp
Mrs. Chen
Ms. Diamond
Mr. Reilly

Mr. Tallur
Mr. Wilson
**FINANCIAL MANAGEMENT ACTION PLAN**

<table>
<thead>
<tr>
<th>Action Steps</th>
<th>Person(s) Responsible</th>
<th>Resources Needed</th>
<th>Monitoring Tools / Data Points</th>
<th>Monitoring Who &amp; When</th>
<th>Results/Evidence</th>
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<tr>
<td>Somerset ES does not have a cell tower and usually receives less than $25 per Royalle commission check. Since staff development expenses cannot be covered by student generated funds, Somerset will no longer make purchases that would qualify as &quot;staff development&quot; unless those expenses are covered by the PTA.</td>
<td>Principal, Assistant Principal, Admin Secretary, SDT</td>
<td>PTA funds and list of qualifying expenses approved by PTA</td>
<td>Review of monthly accounting reports, especially staff development (0013) and PTA (0025).</td>
<td>Ongoing by Principal and Admin Secretary</td>
<td>Unless PTA agrees to reimburse the school for staff development expenses, there will be no staff development purchases.</td>
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<td>It has been suggested by the auditor that the PTA provide a set amount of funds to the school each year with written instructions as to which expenses qualify for those funds.</td>
<td>Principal, Assistant Principal, Admin Secretary, SDT</td>
<td>N/A</td>
<td>Review of monthly accounting reports</td>
<td>Ongoing by Principal and Admin Secretary</td>
<td>Staff development expenses incurred after prior PTA approval will be charged to the staff development account (0013.0000).</td>
</tr>
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<td>Paraeducators and clerical help will not be hired for additional summer work beyond that permitted by staffing.</td>
<td>Principal, Admin Secretary</td>
<td>N/A</td>
<td>Review of monthly accounting reports</td>
<td>Ongoing by Principal and Admin Secretary</td>
<td>No summer work or additional work performed by MCPS employees outside of the staffing allocation will be permitted.</td>
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**Strategic Improvement Focus:**

As noted in the financial audit for the period 11/1/15-12/31/18, strategic improvements are required in the following business processes:

- Guarantee that only non-student generated funds are used for Staff Development expenses. Supplemental employment can only occur with staffing approval, not thru IAF.
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**OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL**

☐ Approved  ☐ Please revise and resubmit plan by ______________

Comments: ____________________________________________________________

Director: ___________________________ Date: 3/2/19