

Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

April 4, 2012

MEMORANDUM

To: Ms. Celeste D. King, Principal
South Lake Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit *MPisha*

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2011, through February 29, 2012

This audit report presents the results of our examination of the financial records, reports, and internal accounting controls relating to the Independent Activity Funds (IAF) for your school for the period designated above. The examination was made to evaluate the adequacy of accountability over these funds, compliance with applicable Montgomery County Public Schools (MCPS) policies and procedures, and effectiveness of IAF management.

In our meeting on March 22, 2012, with you and Mrs. Renee Shaw, administrative secretary, we reviewed conditions described in our prior audit report dated May 4, 2011, and advised that while we noted positive action, conditions that weaken accountability for IAF resources previously reported continue to need improvement. It should be noted that you were appointed as principal effective July 1, 2011. Your attendance at financial training in December 2011 updated you on financial accountability requirements. Our findings and recommendations appear below.

Findings and Recommendations

Controls over purchasing have improved. MCPS Form 280-54, *Request for a Purchase*, is now used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-5). In addition, documentation supporting purchases should be marked by the recipient as needed to indicate goods or services have been satisfactorily received, and should then be stamped or marked "paid" to indicate payment has been made, and avoid the possibility of duplicate payments.

MCPS purchasing card members must record purchases on transaction logs and submit logs monthly with invoices and receipts attached for your review and approval. Monthly summary reports from American Express must be reviewed, signed and dated by the principal to ensure that purchases are appropriate and within established limits. We found that logs were not being prepared on a monthly basis and submitted for approval with receipts attached. We recommend purchasing card members be required to present monthly logs of purchases for the approval and signature of the principal (see the MCPS *Purchasing Card User Guide*).

Sponsors of school activities which involve the collection or disbursements of IAF should be provided an account statement for each month in which transactions have been recorded in their accounts. We found that this essential internal control procedure was not consistently followed. 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 sponsors 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).

Our analysis of the school checking account revealed consecutive months when the balance exceeded immediate needs. Keeping excessive balances limits the amount of interest the school could be earning. A better use of the excess funds is to deposit them in the MCPS Centralized Investment Fund to maximize interest income. When needed to cover expenses, these funds are available for prompt return to the school (see MCPS Financial Manual, p. 7-4).

Summary of Recommendations

- Receipt of goods or services must be confirmed prior to disbursement (repeat);
- Invoices and receipts must be annotated as “paid” to indicate disbursement was made (repeat);
- Purchase card transactions must include supporting documentation that is reviewed and approved by the principal (repeat);
- Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the financial agent (repeat); and
- Centralized Investment Fund should be used to deposit excess funds (repeat).

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Mrs. Shaw. 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, community superintendent. The Office of School Performance will follow up on this audit.

RWP:HK:sd

Copy to:

Mr. Bowers
Dr. Lacey
Mr. Talley
Dr. Williams
Mrs. DeGraba
Mrs. Milwit
Mr. Doody

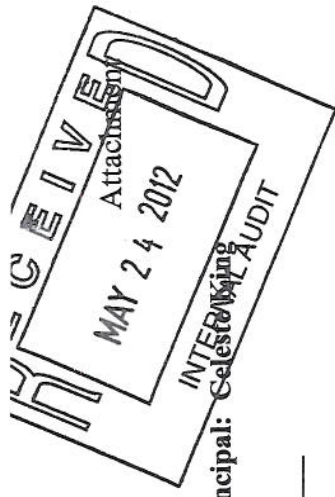
Fiscal Management Action Plan

School: South Lake Elementary School

Approved by community superintendent: _____

Date of approval: _____

Principal: Celeste King



Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Receipt of goods or services must be confirmed prior to disbursement	Reiterate to staff that request to purchase from IAF must be made at least 3 days prior to purchase for approval Person: Principal	Immediately	Staff handbook
Invoices and receipts must be annotated as "paid" to indicate disbursement was made	PAID stamp purchased to document payment of each invoice Person: Administrative Secretary	Completed	Invoices
Purchase card transactions must include supporting documentation that is reviewed and approved by the principal	Purchases made with AMEX card are infrequently. MCPS log will be completed by financial agent and signed monthly by the principal Person: Administrative Secretary, Principal	Immediately (as use occurs)	Log and statement
Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the financial agent	Team Leaders and activity sponsors will receive monthly statements to review, verify, sign and return Person: Administrative Secretary	July 1	Signed copies to be kept in field trip/activity log book
Centralized Investment Fund should be used to deposit excess funds	Monies to be transferred after the 2012-2013 expenditures have been processed (at discretion of principal) Person: Principal	October	CIF statements