


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

November 20, 2013

MEMORANDUM

To: Mr. John W. Haas, Principal
Silver Spring International Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2011, through August 31, 2013

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 November 15, 2013, with you and Mr. David Stough, financial specialist, we reviewed the status of the conditions described in our prior audit report dated September 27, 2011, and the status of present conditions. We commended you for the progress made to improve controls over yearbook receipts and field trip approvals. 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

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account statement for each month in which transactions have been recorded in their

account. We found this essential internal control procedure was not being used. We recommend sponsors be given a monthly statement of their accounts to verify that all transactions affecting them were correctly recorded. After any discrepancies are resolved, the statements should be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all statements are reviewed by sponsors and returned to the financial specialist (see MCPS Financial Manual, p. 20-9).

Disbursement of IAF must be controlled in a number of ways. All purchases must be approved in advance and in writing using MCPS Form 280-54, *Request for a Purchase*. After the purchase is completed, the purchaser should submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the financial specialist. A check may then be drawn and must bear two signatures, one of which is that of the principal or acting principal. In our sample of disbursements, we found prior approval was not consistently obtained. Some disbursements did not have adequate documentation to fully explain the reason for the expenditure, and invoices were not always annotated by the receiver. Some checks were issued without the signature of an administrator. Action is needed to correct these conditions and bring purchasing into conformity with MCPS requirements (see MCPS Financial Manual, p. 20-5).

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted to the financial specialist together with MCPS Form 280-34, *Remittance Slip*, on the day the funds are received. We found instances in which staff collecting money held funds rather than remitting them timely to the financial specialist. We recommend that all staff who collect funds for school activities be reminded of remittance requirements (see MCPS Financial Manual p. 7-4).

Summary of Recommendations

- Monthly account transaction statements must be provided to sponsors for affirmation of correctness and returned to the financial specialist;
- Purchase requests must be approved by the principal prior to procurement;
- Adequate documentation must be provided to support disbursements;
- Purchase documents must be annotated to indicate satisfactory receipt of goods or services;
- Checks will bear two signatures, one of which must be that of the principal; and
- Funds collected must be promptly remitted by sponsors to the financial specialist.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Mr. Stough. 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:VAD: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: Silver Spring International Middle School

Principal: John Haas

Date of approval: 1/24/14

Approved by associate superintendent: *Dough Williams*

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Monthly account transaction statements must be provided to sponsors for affirmation of correctness and returned to the financial specialist	David Stough – Distribute reports by the 10 th of the month and inform sponsors of due date (around the 20 th of the month). Follow-up e-mails (CC: John Haas) on 20 th with deadline of the end of the month. Sponsors with persistent issues to meet with Haas.	Immediate and ongoing	Folders of monthly reports collected and e-mails sent.
Purchase requests must be approved by the principal prior to procurement.	Stough/Staff – Follow up all verbal requests with written documentation before procurement.	Immediate and ongoing	Requests for purchase.
Adequate documentation must be provided to support disbursements.	Stough/Haas – Date all signatures to document approval before procurement. Stough/Haas – Ensure all necessary documentation has been provided prior to disbursement.	Immediate and ongoing	Files of disbursements/AmEx transactions.
Purchase documents must be annotated to indicate satisfactory receipt of goods or services.	Stough – Ensure the complete documentation is filed with the appropriate disbursements. Stough – Purchase and use stamp to indicate received on documents related to payments for goods or services.	Immediate and ongoing	Files of disbursements/AmEx transactions.
Checks will bear two signatures, one of which must be the principal.	Haas/Ann Dolan – Ensure that at least one of the signature lines is signed by one of these administrators. (Haas if available; Dolan if not) Stough/Patricia Torres – Ensure that only one signature line is signed by either of these authorized individuals. The other line must bear the signature of Haas or Dolan.	Immediate and ongoing	Copies of cancelled checks provided with bank statement.
Funds collected must be promptly remitted by sponsors to the financial specialist.	Stough – Remind sponsors to remit funds promptly. Follow-up with Haas if there are chronic issues.	Immediate and ongoing	Files of receipts/sponsor records.

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