


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

September 18, 2014

MEMORANDUM

To: Mrs. Linda M. Jones, Principal
Stonegate Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2010, through July 31, 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 September 16, 2014 with you, and Mrs. Mary Tegethoff, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated November 12, 2010, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2014. 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 in order to properly record expenditures in appropriate accounts and to ensure that they comply with IAF requirements. In our sample of disbursements we found that 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 signed by the receiver. 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 you at the time verbal approval is sought.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Although the sponsors are now submitting fund-raiser request and completion reports, most forms were not properly completed so that results could be evaluated. Most completion reports did not include the total number of items for sale, selling prices, or remaining inventories, thus it was not possible to determine whether all sums collected were remitted to the administrative secretary. Following internal control procedures provide for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event.

Admission receipts for athletic and non-athletic events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. Admissions must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and perpetual inventory of tickets. The Grade 5 Basketball activity was conducted as a fund-raiser rather than as an admission event. The parents of the 5th graders managed the activity but did not issue tickets in order to reconcile the number of admissions with funds collected. Also, they commingled the gate receipts with the refreshment sales. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to the event, that all tickets be serially numbered and issued by the ticket controller, and that a perpetual inventory be maintained.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement and invoices must indicate receipt of goods or services prior to disbursement;
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser* (repeat); and
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

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. Myra J. Smith, associate

superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:AB:sd

Copy to:

Mr. Bowers
Dr. Navarro
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Stonegate Elementary School

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Office of the Principal

November 18, 2014

TO: Roger W. Pisha, Supervisor, Internal Audit

FROM: Linda M. Jones, Principal

SUBJECT: Response to Report on Audit of Independent Activity Funds for the Period
September 1, 2010 through July 31, 2014

In response to the audit report of the Independent Activity Funds for the period September 1, 2010 through July 31, 2014, all findings and recommendations will be taken into consideration with special emphasis on the following:

- Ensure consistent prior approval of MCPS Form 280-54, Request for a Purchase, provide adequate documentation to fully explain the reason for the expenditure, and that invoices are signed by the receiver.
- Conform to the Guidelines for Sponsoring an Independent Activity Fundraiser by ensuring the completion of forms indicating number of items for sale, selling prices and remaining inventories.
- Conduct admission events in accordance with MCPS Regulation DMB-RA and review procedures for sale of tickets with appropriate staff.

I thank the team for its feedback. Please feel free to contact me if you have any questions or concerns.

cc: Dr. Myra J. Smith, Associate Superintendent of Elementary Schools