


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

July 29, 2013

MEMORANDUM

To: Mr. Keith R. Jones, Principal
Summit Hall Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2010, through April 30, 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 July 11, 2013, with you, and Ms. Mary O'Sullivan, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated February 24, 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

We noted several checks that had been issued to staff for making purchases that had been signed by the principal prior to a dollar amount being entered on them. No checks will be signed prior to completion of date, payee, and amount entered on them (see MCPS Financial Manual, p. 20-5). Use of the school purchasing card, with its pre-approved limits, is an alternative method that would improve controls over such purchases.

Review of field trip activities again revealed that not all field trip sponsors are providing financial information to the administrative secretary at the completion of a trip. Sponsors should record fees collected for each field trip on MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and submit the data to the administrative secretary when a trip is completed (see MCPS Financial Manual p. 20-9). The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above. In addition, we again found that some sponsors held fees collected, rather than remitting them promptly to the administrative secretary. This practice increases the likelihood of loss. We recommend staff be reminded of the requirement that all funds collected be promptly remitted (see MCPS Financial Manual, p. 7-4).

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 accounts, and be required to verify that transactions have been correctly recorded. Although reports were being distributed, we found that not all sponsors were returning them as required. We recommend a procedure be established to ensure that all sponsors be required to review their monthly account statements, resolve any discrepancies, and attest to their accuracy by returning the signed statements to the administrative secretary (see MCPS Financial Manual, p. 20-9).

Summary of Recommendations

- Checks must be fully completed before being signed;
- 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);
- Funds collected must be promptly remitted by sponsors to the administrative secretary (repeat); and
- Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the administrative secretary.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Ms. O'Sullivan which greatly facilitated our audit. 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:GB:sd

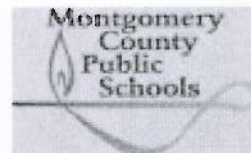
Copy to:

Mr. Bowers
Dr. Statham

Dr. Schiavino-Narvaez
Mr. Sanderson

Dr. Smith
Mrs. DeGraba

Mrs. Milwit
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September 10, 2013

MEMORANDUM

To: Roger W. Pisha, Supervisor, Internal Audit

From: Keith R. Jones, Principal
Summit Hall Elementary School

Subject: Response to the Report on Audit of Independent Activity Funds for the
Period January 1, 2010 through April 30, 2013

This memorandum details the responses to the recommendations made by the auditor during a review of the Independent Activity Fund (IAF) for the period stated above. The visit was informative, and Ms. Eileen O'Sullivan, administrative secretary, and I appreciate the time that the auditor, Mr. George Beall, spent explaining the audit process and his recommendations to us for upgrading our fiscal procedures.

Our responses follow sequentially the findings and recommendations from the auditor's report dated July 29, 2013.

- Recommendation: "Checks must be fully completed before being signed."
"No checks will be signed by the principal prior to completion of date, payee, and amount entered on them (see MCPS Financial Manual, p. 20-5)." Use of the school purchasing card, with its pre-approved limits, is an alternative method that would improve controls over such purchases."

Response: Mrs. O'Sullivan and I will work proactively and get exact non-taxable prices from vendors if school checks are to be used and we will renew membership at the bulk commodity store that takes the MCPS purchasing card in order to preclude any further difficulties.

- Recommendation:
 - "Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with the costs of the trip (repeat);
 - Funds collected must be properly remitted by sponsors to the administrative secretary (repeat)"

“...not all field trip sponsors are providing financial information to the administrative secretary upon completion of a trip. We recommend all sponsors be required to use form 280-41, or equivalent, and follow the procedures outlined above. In addition, we again found that some sponsors held fees collected, rather than remitting them promptly to the administrative secretary. We recommend staff be reminded of the requirement that all funds collected be promptly remitted (see MCPS Financial Manual, p. 7-4.)”

Response: We will inform grade level teams and other staff who may sponsor a trip of the requirements for recording the collection of funds on form 280-41 and for timely and thorough reporting of funds collected and reconciliation of money if multiple staff members are receiving fees for the same trip. We will address any potential discrepancies in these procedures promptly and will reiterate the correct processes to use.

- Recommendation: “Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the administrative secretary.”
“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 accounts, and be required to verify that the transactions have been correctly recorded. Although reports were being distributed, we found that not all sponsors were returning them as required. We recommend a procedure be established to ensure that all sponsors be required to review their monthly statements, resolve any discrepancies, and attest to their accuracy by returning the signed statements to the administrative secretary (see MCPS Financial Manual, p. 20-9).”

Response: We will review and upgrade our procedures and communicate the recommendations to grade level teams and other staff who may be involved in the collection or disbursement of IAF. These recommendations will be expectations for all staff involved in these financial matters. Mrs. O’Sullivan, Mrs. Tarwater, assistant principal, and I will be directly involved with the collection of monthly statements in order to preclude any additional discrepancies.

Please contact me if any further information is needed. We are committed to continuous improvement and following best accounting practices for ongoing fiscal responsibility.

Copy to:
Dr. Smith