Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland  
December 9, 2014

MEMORANDUM

To: Mrs. Zadia T. Gadsden, Principal  
   Takoma Park Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period  
   October 1, 2010, through September 30, 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 December 5, 2014 with you, and Ms. Johanna Paz, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated November 19, 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

Internal control is a process of interconnected policies, regulations, procedures, and attitudes and actions of employees that work together to provide a system of checks and balances to achieve proper authorization of expenditures and safeguarding of assets. The principal is the individual who has the overall fiduciary responsibility for the IAF (see MCPS Financial Manual, p.20-3). We found an absence of controls over operations resulting in untimely bank deposits, checks and receipts issued on stock out of numerical sequence, expenditures recorded in improper accounts, inadequate review of cash balances, poor maintenance of financial records, and failure to recognize that a $3,081.25
student picture commission check due your school per vendor contract had not been received. We recommend you initiate a monitoring process to enforce IAF policies, regulations, and procedures in order to promote timely and accurate reporting of data.

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 again found this essential internal control procedure was not being used. 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 the sponsor to attest to their accuracy. We recommend that a procedure be established to ensure these statements are issued, reviewed, and returned (see MCPS Financial Manual, p. 20-9).

Cash and checks collected by sponsors for IAF activities should be recorded on MCPS Form 280-34, Independent Activity Fund (IAF) Remittance Slip, for prompt submission to the administrative secretary and timely deposit to the bank (see MCPS Financial Manual, p.7-4). We found sponsors were not entering all the required information on Form 280-34, and the administrative secretary never signed, dated or entered the receipt number on the form. In addition, sponsors were holding funds collected rather than remitting them on a daily basis. A few sponsors used the unauthorized practice of allowing students to transport funds (see MCPS Financial Manual, p. 7-4). Regardless of how the administrative secretary received the funds, she frequently counted them without a witness. Also, there is no process to secure funds remitted by sponsors when the administrative secretary was absent. We recommend your staff be encouraged to submit cash and checks collected for IAF activities to the administrative secretary for prompt deposit in accordance with MCPS policies, regulations, and procedures.

Once written, a check or receipt shall not be erased or altered. If an error is discovered, the check or receipt should be marked “void” and a replacement issued. Any misprinted check or receipt should be entered into the accounting system, and the voided check and all parts of any voided receipt form should be defaced and retained. We found that this practice was not being followed. In many cases, the computer-generated check or receipt number did not agree with the stock number. These errors caused delays in generating the monthly bank reconciliation report. We recommend that checks and receipts written in error be properly voided in accordance with the MCPS Financial Manual pp. 7-4 and 20-6.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, Travel-Study Programs, Field Trips and Other Student Organization Trips. Trip approval forms signed by the principal should be retained. The administrative secretary should establish a separate account in the IAF for each trip. Sponsors should record cost and fee information 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. A review of field trip activities disclosed again that in most cases, the final comprehensive financial information was not prepared by sponsors, and most reports did not appear to have been analyzed by the administrative secretary. We recommend that all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined
above. In addition, we recommend the administrative secretary complete a reconciliation of field trip activity as soon as the final comprehensive data is received from the sponsor (see MCPS Financial Manual, p. 20-9).

Summary of Recommendations

- IAF must be managed in accordance with sound accounting practices and effective internal control procedures;

- Contracts should be monitored to ensure compliance;

- Monthly account history reports provided to sponsors must be affirmed for transaction correctness and returned to the administrative secretary (repeat);

- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the administrative secretary;

- Checks or receipts with errors must be voided according to the MCPS Financial Manual;

- Students are not authorized to transport funds; and

- 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).

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 Ms. Bronda L. Mills, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:AB:sd

Copy to:
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Office of the Principal
TAKOMA PARK ELEMENTARY SCHOOL
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Takoma Park, Md. 20912
301-650-6414

December 10, 2014

MEMORANDUM

To: Mr. Roger Pisha, Supervisor, Internal Audit
Ms. Bronda Mills, Associate Superintendent

From: Zadia T. Gadsden, Principal
Takoma Park Elementary School

Subject: Actions from Audit of Independent Activity Funds for the period of October 1, 2010, through September 30, 2014

As a result of the audit report, examination of the financial records, reports and internal accounting controls relating to the Independent Activity Funds (IAF) the following actions have been/will be taken:

- Funds remitted to the office by sponsors will be immediately counted with a witness present and a pre-numbered receipt issued to the remitter. Checks and receipts with errors will be voided in accordance with the MCPS Financial Manual;
- Staff will complete MCPS form 280-54, Request for a Purchase, prior to making approved purchases. Sometimes due to a sense of urgency, the Request for Purchase is signed on the same date as the date of purchase. They will also be given the school’s tax exempt certification when acquiring items for school use;
- Activity sponsors will be provided a monthly activity account reconciliation report with affirmation of transaction accuracy from sponsors;
- Funds collected by sponsors will be given to the administrative secretary along with MCPS Form 280-34 on the day the funds are collected;
- The school pictures and any other contracts will be monitored to ensure timely payment and compliance;
- Students will not transport funds from the classroom to the administrative secretary;
- Sponsors will complete field trip records to include comprehensive data to account for all students eligible to participate and to reconcile funds collected with the costs of the trip;
- A safe will be purchased using IAF to secure funds when necessary.