


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

March 1, 2017

MEMORANDUM

To: Miss Alicia M. Deeny, Principal  
Takoma Park Middle School

From: Roger W. Pisha, Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period  
April 1, 2015, through December 31, 2016

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 fund-raisers. They are responsible for ensuring that the IAFs are administered in accordance with MCPS policies, regulations, and procedures.

The 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 the 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.

At our meeting on February 16, 2017, with you, and Mrs. Clity G. Gordon, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated May 8, 2015, 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

MCPS Form 281-46: *Independent Activity Funds-Transfer*, is used to obtain principal approval to transfer an amount of funds between accounts in the School Funds Online (SFO) accounting software records (refer to *MCPS Financial Manual*, chapter 20, page 12). In our sample of SFO accounting records, we found transfers of funds that were recorded in SFO before obtaining

approval from the principal. We recommend that MCPS Form 281-46 be prepared and approved by the principal prior to entering the transfer transactions into SFO.

MCPS Form 280-54: *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (refer to *MCPS Financial Manual*, chapter 20, page 4). The purpose of each disbursement must be fully explained on this form in order to properly record expenditures in appropriate accounts and to ensure compliance with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, we found that prior principal approval was not consistently obtained, supporting documentation was not always sufficient, and invoices were not always signed by the purchaser. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that MCPS Form 280-54 be prepared by staff for the principal's approval prior to procurement, purchasers confirm receipt of goods or services prior to disbursement. In addition, purchase documentation submitted to the school financial specialist must be adequate to support disbursements.

#### Summary of Recommendations

- Transfers of funds must be approved by the principal prior to entry in SFO.
- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchase documentation must be adequate to support disbursements.
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).

Other matters were discussed and satisfactorily resolved. We appreciate 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 Unit within 30 calendar days of this report, with a copy to Mrs. Diane D. Morris, director of school support and improvement of middle schools. In your response, please share a detailed plan for addressing these issues including appropriate staff training and support. The Office of School Support and Improvement will follow up on this audit.

RWP:KMH:lsh

#### Copy to:

|                                   |             |
|-----------------------------------|-------------|
| Members of the Board of Education | Ms. Diamond |
| Dr. Smith                         | Mrs. Morris |
| Dr. Navarro                       | Mr. Tallur  |
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| Dr. Zuckerman                     |             |
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| Dr. Johnson                       |             |
| Dr. Williams                      |             |
| Mrs. Camp                         |             |
| Mrs. Chen                         |             |



## Takoma Park Middle School

7611 Piney Branch Road  
Silver Spring, Maryland 20910  
301-650-6444



March 22, 2017

### MEMORANDUM

TO: Roger Pisha, Supervisor, Internal Audit  
Office of Shared Accountability

FROM: Alicia Deeny, Principal

SUBJECT: Response to Report on Audit of Independent Activity Funds for the Period  
April 1, 2013, through December 31, 2016

The following is the resolution in response the findings on the IAF Audit Report from March 1, 2017.

- As discussed during the audit, the practice of transfers being approved by the principal prior to entry in SFO has already been put into practice by Ms. Gordon and myself.
- I communicated with staff and school leadership at both staff and leadership team meetings regarding the need for purchase requests to be submitted in advance of purchases. Ms. Gordon and I will communicate this to staff again during pre-service week in August 2017. We will address staff members who do not comply with this requirement on a case by case basis.
- Ms. Gordon and I would like more communication as to what is considered adequate support documentation for disbursements. Reimbursements are never done without receipts. We would like to see an example of what payment was made without proper documentation so as avoid this in the future. If ever there is an issue with a receipt, that staff member has been spoken with since receipts are turned into the finance office for reimbursement. Any issues in this regard are always addressed by the principal.
- All receipt of purchases are confirmed with the finance office before disbursement to the vendor. A folder with all available packing slips is kept in the finance office. We are unsure as to how the audit department wants Ms. Gordon to display the packing slip from the vendor. Amazon is the only vendor which does not include a packing slip. However, with our use of the purchasing card all purchases and receipt of purchases have to be received before the card holder clears the item.

We appreciate the assistance and feedback of your staff in the auditing process. Please contact me should you need any further information on the resolution to the finding.

Copy to:  
Dr. Williams