MEMORANDUM

To: Mrs. Karen P. Johnson, Principal
    Twinbrook Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period
         March 1, 2011, through February 28, 2015

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 March 19, 2015, with you, and Mrs. Mary Kapp, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated April 18, 2011, 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

Purchase card transactions were audited based upon requirements of the previous MCPS provider. Cardholders were to record purchases on transaction logs and submit them monthly with invoices and receipts attached for review and approval by the principal. Monthly summary reports were to be reviewed, signed and dated by the principal to ensure that purchases were appropriate and within established limits. We again found that logs were not maintained on a monthly basis, receipts and invoices were missing or not attached, monthly cardholder statements and monthly summary reports
were not always reviewed, signed and dated by the principal. The current MCPS purchase card
provider replaces the manual log with online transaction reconciliation. We recommend compliance
with the requirements of the MCPS Purchasing Card Users Guide.

Cash and checks collected by sponsors for IAF activities must be remitted to the administrative
secretary on the day they are received together with MCPS Form 280-34, Remittance Slip. We found
instances in which staff collecting funds for field trips were holding rather than remitting them in a
timely manner (see MCPS Financial Manual p. 7-4) and several remittances did not include Form
280-34. In addition, the administrative secretary had not signed, dated, and indicated receipt
numbers on the Forms 280-34 submitted. Also, the administrative secretary was not always making
timely deposits; holding money in excess of permitted amounts (see MCPS Financial Manual,
p. 7-5). Large and infrequent deposits increase the possibility of loss and decrease the school’s
ability to fund activities. We recommend that all staff that either collect or deposit IAF funds be
reminded of cash handling requirements.

Summary of Recommendations

- Purchase card activity must comply with the MCPS Purchasing Card User’s Guide (repeat);

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

- Funds remitted by sponsors must be promptly verified, receipted, and deposited in the bank
  by the administrative secretary.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and
assistance of Mrs. Kapp 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. Donna S. Hollingshead, associate superintendent of elementary schools. The Office of School
Support and Improvement will follow up on this audit.

RWP:GB:sd

Copy to:

Dr. Zuckerman
Dr. Statham
Dr. Navarro
Dr. Hollingshead
Mr. Sanderson
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit
April 27, 2015

MEMORANDUM

To: Roger W. Pisha, Supervisor, Internal Audit

From: Karen P. Johnson, Principal

Subject: Response to the Report on Audit of Independent Activity Funds for the Period March 1, 2011 through February 28, 2015

This memorandum is in response to the March 27, 2015 auditor’s report. Each recommendation has been addressed in the order it was reported.

Recommendation 1:
Purchase card activity must comply with the MCPS Purchasing Card User’s Guide (repeat).
- We will follow MCPS guidelines using J.P. Morgan purchasing card.
- The principal and administrative secretary will meet monthly pertaining to card purchases.

Recommendation 2:
Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the administrative secretary.
- At the beginning of the school year, the beginning of the second semester and the beginning of each event, the administrative secretary will send a reminder email with MCPS policy to the staff/sponsors.
- During preservice, the MCPS auditor will address the staff following the information given by the administrative secretary and principal.

Recommendation 3:
Funds remitted by sponsors must be promptly verified, receipted and deposited in the bank by the administrative secretary.
- Sponsors will bring duplicated remittance forms to the administrative secretary who will count funds, sign and return the remittance form to the sponsor.
- The administrative secretary will make daily deposits.

Copy To: Dr. Donna Hollingshead