


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

August 5, 2016

MEMORANDUM

To: Mrs. Susan B. Barranger, Principal
Washington Grove Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2013, through June 30, 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 fundraisers. 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.

In our meeting on August 4, 2016, with you and Ms. Joanna O. Miller, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated March 27, 2013, 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

All checks will be completed with date, payee, and amount prior to any signature. No checks will be signed in advance of these completed items (refer to *MCPS Financial Manual*, chapter 20, page 6). 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. We recommend compliance with MCPS requirements for making purchases with the IAF checks.

The IAF general ledger consists of the asset and regular accounts which comprise the sum of the total cash balances. A standard chart of accounts (COA) describes how transactions affecting IAF are to be recorded. We found instances in which expenditures for staff appreciation and meeting refreshments were not recorded in accordance with the COA. This resulted in additional auditor time and effort to determine if the school complied with the limitation for the combined total of these expenditures to not exceed \$60 per full-time equivalent staff per fiscal year (refer to *MCPS Financial Manual*, appendix A). We recommend compliance with the COA when recording the IAF transactions.

Summary of Recommendations

- Checks will not be signed and released by the principal until fully completed.
- Accounting transactions must conform to the IAF chart of accounts.

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 Unit within 30 calendar days of this report, with a copy to Mr. Eric A. Wilson, director of school support and improvement of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:AMB:lsh

Copy to:

Members of the Board of Education

Dr. Smith
Dr. Navarro
Dr. Statham
Dr. Zuckerman
Dr. Kimball
Mrs. Chen
Mrs. DeGraba
Ms. Diamond
Mr. Wilson
Mr. Ikheloa

Washington Grove

ELEMENTARY SCHOOL

Office of the Principal

August 9, 2016

MEMORANDUM

TO: Mr. Roger Pisha, Supervisor, Internal Audit

FROM: Susan Barranger, Principal

SUBJECT: Response to Audit of Independent Activity Funds (IAF) for the Period March 1, 2013, through June 30, 2016

I am pleased with the audit of our IAF funds completed on August 4, 2016. Mr. George Beall, the internal auditor, was pleasant to work with and thorough in his discussion with me about his findings.

Ms. Joanna Miller and I discussed the need for all checks to be completely filled out with date, payee, and amount prior to my signature. The infraction occurred whenever we needed to purchase items from Costco, once MCPS stopped using American Express purchasing cards, and we were limited to paying by check. Thanks to Mr. Beall's research, we now know that we can order our items on line, pay for them with our JP Morgan purchasing card, and then pick up the items at the store. We will ensure that we use this procedure for paying for items at Costco from now on.

Ms. Miller and I also discussed the need for our Staff Appreciation and Meeting Refreshment accounts to accurately reflect the amount spent in each area to be sure that we do not exceed the \$60 per full-time staff member allowance that exists in MCPS. We have already made that adjustment in our accounting procedures to ensure that we can continually monitor the amount of money spent in those two areas.

It was reassuring to hear that, with these two exceptions, our bookkeeping procedures were in line with your office's expectations and that Mr. Beall was pleased with the other procedures we have in place. I am confident that our office will remedy our two lapses and that Washington Grove's fiscal profile will continue to be a positive one.

Copy to:
Mr. Eric Wilson

Fiscal Management Action Plan

School: Washington Grove ES

Principal: Susan Barranger

Approved by associate superintendent: _____ Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Several checks had been issued to staff for making purchases that had been signed by the principal prior to a dollar amount being entered on them.</p> <p>Recommendation: Checks will not be signed and released by the principal until fully completed.</p> <p>Expenditures for staff appreciation and meeting refreshments were not recorded in accordance with the Chart of Accounts (COA).</p> <p>Recommendation: Accounting transactions must conform to the IAF chart of accounts.</p>	<p>All checks will be completed with date, payee, and amount prior to any signature.</p> <p>Persons Responsible – Administrative Secretary and Susan Barranger</p>	<p>Continuous</p>	<p>All school checks will be electronically completed in their entirety before being signed.</p>
<p>Expenditures for staff appreciation and meeting refreshments were not recorded in accordance with the Chart of Accounts (COA).</p> <p>Recommendation: Accounting transactions must conform to the IAF chart of accounts.</p>	<p>All expenditures for staff appreciation and meeting refreshments will be recorded under the matching account to ensure that the total of these expenditures does not exceed \$60 per FTE staff per fiscal year</p>	<p>Continuous</p>	<p>All expenditures for staff appreciation and meeting refreshments will be evident in those categories in our school accounts.</p>