


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

March 14, 2016

MEMORANDUM

To: Dr. Traci L. Townsend, Principal  
Earle B. Wood Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
May 1, 2014, through January 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 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 11, 2016, with you and Ms. Myrian Fuentes, financial specialist, we reviewed the status of the conditions described in our prior audit report dated June 24, 2014 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 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-4). The purpose of each disbursement must be fully explained on this form in order to properly record expenditures in appropriate accounts, and to ensure that expenditures comply with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our random sample of disbursements, we found prior approval was not obtained when required for many purchases and invoices were not always signed by the receiver. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be

prepared by staff and signed by you at the time verbal approval is sought. Invoices and/or packing slips should be signed and dated to indicate satisfactory receipt of goods or service.

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the financial specialist. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (see MCPS Financial Manual, p.7-4). The funds should be verified in the presence of the remitter, and a receipt should be issued promptly. In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and either place the sealed envelope in the business office safe or receive written acknowledgement that it was provided to the financial specialist. Verification of these funds will be conducted in the presence of the remitter as soon as possible thereafter. We found that some sponsors were holding funds collected rather than remitting them to the financial specialist on a daily basis. Also, there was no process for securing funds when the financial specialist was unable to verify them. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual, pp. 7-3, 7-4, and that staff be encouraged to submit cash and checks collected for IAF activities to the financial specialist for prompt deposit in accordance with MCPS policy and procedures.

#### Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (repeat);
- Documentation must be annotated by recipient to indicate purchased goods or services were satisfactorily received (repeat); and
- Cash control of school funds must be in accordance with chapter 7 of the MCPS Financial Manual.

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 Dr. Eric L. Minus, director of middle schools. The Office of School Support and Improvement will follow up on this audit.

RWP:SY:sd

Copy to:

Dr. Zuckerman  
Dr. Statham  
Dr. Navarro  
Dr. Williams  
Mrs. Chen  
Mrs. DeGraba  
Mrs. Milwit  
Dr. Minus



## EARLE B. WOOD MIDDLE SCHOOL

14615 Bauer Drive • Rockville, Maryland 20853

(301) 460-2150 fax (301) 460-2104



Traci L. Townsend, Ed.D.  
Principal


Matthew Freiman  
Assistant Principal

March 21, 2016

Jae Hwang  
Assistant Principal

### MEMORANDUM

To: Mr. Roger W. Pisha, Supervisor  
Internal Audit Office

From: Traci L. Townsend, Principal 

Subject: Response to Audit Report of Independent Activity Funds for the Period  
May 1, 2014, through January 31, 2016

I appreciate the recommendations made during our meeting on March 11, 2016.

We have addressed the issues brought to our attention and plan the following improvements to our financial protocols:

- All staff will receive directions explaining that purchase requests (Form 280-54) must have prior approval by the principal, will include a complete explanation for the expenditures, and will be signed by the receiver. These directions will be provided through a presentation and in writing to each staff member at the beginning of each school year. Reminders will also be sent out during the school year.
- Staff will be informed that all purchases require proper documentation showing a detailed list of items or services that have been received.
- Staff will be informed that all cash and checks that they collect must be remitted promptly to our school financial specialist, and she will deposit the funds and provide a receipt to the staff member. If funds cannot be immediately verified, staff will be instructed to secure these funds in a sealed envelope and have it placed in the school safe. This information will also be provided at the beginning of the year during pre-service.

We appreciate the advice and guidance of Ms. Susan Yee, who conducted the audit and provided invaluable assistance to our school financial specialist, Mrs. Myrian Fuentes.

TLT:lsg

Copy to:  
Dr. Minus  
Mrs. Fuentes