


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

May 10, 2017

MEMORANDUM

To: Dr. Otis L. Lee, Principal
Benjamin Banneker Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2015, through March 31, 2017

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 May 8, 2017, with you and Miss Wendy L. Moten, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated December 28, 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

All purchases must be approved in advance and in writing using MCPS Form 280-54: *Independent Activity Funds Request for a Purchase*. After acquisition, the purchaser should submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the school financial specialist (refer to *MCPS Financial*

Manual, chapter 20, and page 4). In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal. We also noted instances of receipts not annotated by purchasers to indicate that purchased goods or services were satisfactorily received and not marked as "paid" after disbursement. We recommend that the IAF purchases comply with MCPS procedures.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchase documentation must be annotated as "paid" to indicate disbursement was made (**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 through 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:AMB:lsh

Copy to:

Members of the Board of Education

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Mrs. Camp

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Ms. Diamond

Mrs. Morris

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FINANCIAL MANAGEMENT ACTION PLAN

School: Banneker Middle School

Principal: Otis Lee

Fiscal Year: 2016-17

Associate Superintendent: Dr. Darryl Williams

Director: Ms. Diane Morris

Strategic Improvement Focus:

As noted in the financial audit for the period 11-1-15 to 3-31-17, strategic improvements are required in the following business processes :

- Purchase requests must be approved by the principal prior to procurement
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Purchase documentation must be annotated as "paid" to indicate disbursement was made.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
<p>Effective immediately any purchases made by staff members will need two week prior notice from the Principal and documentation must reflect the dates of purchase and approval.</p> <p>Staff must complete form 280-54, indicate the account to be charged including the balance and have signed by the Principal prior to making a purchase.</p> <p>Financial specialist will communicate to staff about the procedures for making purchases and provide training for staff to clarify district protocol.</p>	Financial Specialist Principal	Written documentation from staff for all purchases.	<p>Distribute a memorandum to staff regarding clarification of protocol and possible consequences for not the procedure for submitting documentation.</p> <p>J.P. Morgan transactions website</p> <p>Training SANE documents: sign in sheets, agenda, notes and evaluations.</p>	Financial specialist will monitor purchases on an ongoing basis.	<p>Verification by auditor</p> <p>2 week notification</p>
<p>Effective immediately written notification must be given to the Financial Specialist confirming the receipt of goods and services prior to disbursement.</p> <p>Financial specialist will communicate to staff about the procedures receiving goods and recording them accurately.</p>	Financial Specialist Banneker Staff	Written receipt of goods or services	<p>Monitor FMS</p> <p>Training SANE documents: sign in sheets, agenda, notes and evaluations.</p>	Financial specialist will monitor purchases on an ongoing basis as items	<p>Documentation will be kept to reflect notification was given.</p> <p>Review invoices and make sure the documentation was confirmed,</p>

<p>Effective immediately purchase documentation must be annotated as "paid" to indicate disbursement was made.</p> <p>Financial specialist will communicate/train staff on the procedures annotating that items are paid, and to indicate disbursement was made.</p>	Financial Specialist	Stamp will be used to identify paid invoice	<p>When items come to the building we will continue to review all packing slips and confirm that the items were satisfactory for payment.</p> <p>Training SANE documents: sign in sheets, agenda, notes and evaluations.</p>	Financial Specialist will check the invoice, packing slips and order forms to verify that payment should be made.	Stamped invoices marked Paid
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OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL

☒ Approved

☐ Please revise and resubmit plan by _____

Comments: Feedback provided.

Director:

Diane Mullis

Date: 9/18/17