


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 7, 2018

MEMORANDUM

To: Mr. Elliot M. Alter, Principal
Beall Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
August 1, 2015, through August 31, 2018

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. School 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 Board of Education policies, MCPS regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with 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 any significant errors or omissions in the financial records are detected.

At our October 23, 2018, meeting with you and Mrs. Gina M. Gill, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated September 11, 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

Prior to any disbursement from the IAF, the school administrative secretary will ensure that the staff member who made the purchase provides an invoice or receipt indicating that the goods or services were received in the quantity and quality required. Any discrepancy in quantity and/or condition should be resolved with a vendor prior to payment. The invoice or receipt must be marked or stamped as "paid" upon disbursement and retained in the business office. Regardless

of the initial procurement approval documentation, disbursements made via automated clearing house (ACH) debits directly to the school's IAF checking account require principal authorization on MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, listing the IAF account(s) to be charged, prior to expenditure of funds (refer to *MCPS Financial Manual*, chapter 20, page 6). We found instances of invoices and receipts not marked to indicate satisfactory receipt of goods or services as well as not stamped "paid" upon disbursement and MCPS i-Receivable invoices not reviewed and authorized for payment by the principal prior to ACH disbursement. We recommend compliance with IAF disbursement requirements.

Independent contractors or consultants working in schools must comply with all laws and MCPS requirements set forth in the *Procurement Manual*. MCPS Form 280-49a, *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF)*, is used to document authorization/approval for all consultant/independent contractor services paid with IAF. We found that this form had not been completed for all payments to independent contractors during our audit period. We recommend that the project manager initiate MCPS Form 280-49a to document the authorization and approval to pay a consultant/independent contractor with IAF (refer to *MCPS Financial Manual*, chapter 15, page 2).

Cash and checks collected by sponsors and other authorized individuals for IAF activities shall be remitted promptly to the school administrative secretary on the same day they are received to minimize the risk of loss or theft. The school administrative secretary will count the remitted funds in the presence of the remitter. A pre-numbered receipt shall be completed by the school administrative secretary and the original shall be given to the person who remitted the funds. All funds remitted to the school must be receipted in School Funds Online (SFO) prior to depositing into the school's checking account (refer to *MCPS Financial Manual*, chapter 7, pp. 4-5). We found that some sponsors were holding funds collected rather than remitting them to the school administrative secretary on a daily basis. We also noted that the school administrative secretary was taking funds to the bank prior to completing the printing and posting of the receipts and deposit process in SFO. We recommend compliance with procedures for receipting and depositing funds.

Review of field trip activities revealed that not all field trip sponsors are providing completed financial information to the administrative secretary at the completion of a trip. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and submit the data to the school administrative secretary when a trip is completed (refer to *MCPS Financial Manual*, chapter 20, page 10). This data must be reconciled with remittances recorded in activity accounts. The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. We recommend that all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above.

Summary of Recommendations

- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Invoices and receipts must be annotated as paid upon disbursement (**repeat**).

- ACH disbursements for iReceivables must be documented using MCPS Form 280-54.
- Independent contractor payments must be documented with MCPS Form 280-49a.
- Funds collected by sponsors must be promptly remitted to the school administrative secretary, and promptly verified and receipted, prior to being deposited in the bank.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip.

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*, using the attached form, please provide a written response to the Internal Audit Unit within 30 calendar days of this report. In your response, please share a detailed plan for addressing these issues, including appropriate staff training and support.

Prior to returning your completed audit action plan, please contact Dr. Peter O. Moran, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Moran will indicate whether he will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school administrative secretary to support you with developing a well-defined plan to address the findings.

RWP:GWB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Dyson

Mrs. Camp

Mrs. Chen

Ms. Diamond

Dr. Moran

Mr. Reilly

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 11/28/18 - FY19	Fiscal Year: 11/28/18 - FY19
School: Beall ES - 207	Principal: Elliot Alter
OSSI Associate Superintendent: Cheryl Dyson	OSSI Director: Dr. Peter Moran
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>8/1/15-8/31/18</u>, strategic improvements are required in the following business processes :</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
MCPS form 280-54 will be completed and approved by principal before iReceivables ACH disbursement. Will continue to ensure all receipts and invoices are marked received and paid. Have ordered a "paid" stamp at auditor's suggestion.	Admin Secretary	Financial manual	FMS iReceivables	Principal and Admin Secretary bi-weekly check of iReceivables	FY19 and forward will show evidence of the principal's approval on the 280-54. All receipts will be marked received and paid before disbursement.
MCPS form 280-49a will be completed for all payments to independent contractors. This will be initiated by the project manager/sponsor of the planned activity. Will be approved by principal and forwarded to procurement.	Sponsor of activity.	Financial manual and 280-49a and 235-40 forms	Verifying vendor status in IAF.	Sponsor, Admin Secretary, and principal in compliance with 280-49a	FY19 and forward will show evidence of compliance with MCPS authorization for consultant/independent contractor paid with IAF
Staff has been reminded to turn in remittance forms/money daily. Money has always been counted in front of sponsor and an original receipt given. This process has always been in place and will continue. All funds will be receipted in SFO prior to depositing.	Admin secretary and sponsors	IAF procedures for sponsors. Financial manual	Monthly IAF reconciliation report	Principal and admin secretary will remind sponsors monthly regarding deposits.	FY19 and forward will show evidence of timely deposits by sponsors.
MCPS accounting form 280-41 will be used by all sponsors to provide a complete student roster annotating the amount each student paid, date paid, eligible students who did not attend the trip, student waivers, scholarships, and reduced fees. Data from SFO will be used to reconcile receipts recorded in field trip account	Field trip sponsors	Field trip guidelines	Field trip completion report	Principal and admin secretary will review completion report at the end of the field trip	FY19 and forward will show evidence of improved field trip data. Principal has included due by date of completion report in school field trip approval form

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OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL

Approved

 Please revise and resubmit plan by _____

Comments: _____

Director:  _____ Date: 12/13/18