


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

October 14, 2016

MEMORANDUM

To: Mr. Damien B. Ingram, Principal
Alternative Education Programs at the Blair G. Ewing Center

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

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2013, through August 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 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 October 6, 2016, with you and Ms. Victoria N. Roszkowski, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated October 14, 2013, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2016. 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

Disbursement of the IAF must be controlled in a number of ways. All purchases must be approved in advance and in writing using MCPS Form 280-54: *Independent Activity Funds*

Request for a Purchase. After the purchase is completed, 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 administrative secretary (refer to *MCPS Financial Manual*, chapter 20, page 4). We noted instances in which purchases were made prior to receiving the approval of the principal. We also noted instances in which receipts were not annotated by recipients to indicate that purchased goods or services were satisfactorily received and not marked as "paid" after disbursement. We recommend the IAF purchases comply with MCPS procedures.

In order to properly control receipts, the cash and checks collected by sponsors for IAF activities should be remitted promptly to the school administrative secretary. Cash should be counted in the presence of the remitter, and a receipt that is supported by MCPS Form 280-34: *Independent Activity Fund Remittance Slip*, should be issued promptly. Remittances received should, in turn, be promptly deposited into the school's bank account. We found instances in which funds were held by sponsors rather than remitted to the school administrative secretary on a daily basis, and not always promptly deposited into the school's bank account. To minimize the risk of loss and provide availability of funds to meet school needs, we recommend that all funds collected be remitted to the school administrative secretary daily for prompt deposit (refer to the *MCPS Financial Manual*, chapter 7, page 4).

Summary of Recommendations

- 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.
- Cash handling process must conform to chapter 7 of the *MCPS Finance 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 Unit within 30 calendar days of this report, with a copy to Mr. Kevin E. Lowndes, director of school support and improvement of high 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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Dr. Johnson
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Dr. Williams
Mrs. Camp
Mrs. Chen
Mrs. DeGraba
Ms. Diamond
Mr. Lowndes
Mr. Ikheloa

INFORMATION

Blair G. Ewing Center
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

December 13, 2016

MEMORANDUM

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

From: Damian Ingram, Principal

Subject: Response to Audit of Independent Activity Funds for the Period September 1, 2013, through August 31, 2016.

This memo is in response to your memo dated October 14, 2016 regarding your findings and recommendations of the above mentioned audit. Please note the principal started in this position on July 11, 2016 and the administrative secretary started in her position on July 1, 2014. As the new principal I met with the administrative secretary and have developed a process to ensure all purchases with MCPS local and IAF funds are preapproved before items are purchased. Procedures have also been developed for staff to follow in regards to managing IAF accounts. In addition I will also attend first available Financial Training in April 2017 to ensure we continue to follow the county's policies.

Purchase Requests

In developing a procedure that works for the employees of the Blair G. Ewing Center the administrative secretary added a "Pre-approval" watermark to form MCPS 280-54 to ensure clarity to staff. The request for purchase process was explained in depth during our staff meeting on October 10, 2016. Staff was also given a brief overview of the MCPS financial process by a substitute administrative secretary during pre-service week in August 2016. Staff requesting to spend local or IAF funds are asked to follow this process. Requestor completes a pre-approval form MCPS 280-54 and submits to principal for approval. The requestor is notified via email of the approval or denial of the request. If approved, the requestor then has approval to place the order. When the items are received the purchaser signs off on the packing slip/invoice to verify the receipt of the items. The requestor then completes MCPS 280-54 to imitate the payment process. After funds have been disbursed MCPS 280-54 is stamped "Paid" indicating the date of the disbursement. The invoice/receipt is stamped "Paid" indicating the check # and the date of the disbursement. All of the correspondence regarding the purchase including but not limited to Pre-approval MCPS 280-54, MCPS 280-54, invoices/receipts, and the office copy of the

disbursement are stapled together and filed in their respective binders. If the request is denied the requestor is given an explanation as to why the purchase was denied and given a suggestion on how to appropriately spend the funds. The staff received a handout of the Finance Office Procedures along with samples of how to complete the MCPS forms. Additional help is always offered to staff through every part of the purchasing process.

Regarding Cash Receipts

Each IAF account sponsor meets with the administrative secretary prior to the IAF account being created. During this meeting they discuss the IAF procedures and the responsibility of the account manager. It is thoroughly explained that all cash and checks collected must be deposited with the school administrative secretary on a daily basis; money collected may not be spent for direct purchases. Money should not be left in the classrooms or offices. All deposits must be made by a staff member by using MCPS Remittance Slip (Form 280-34) to record names and amounts when money is being collected from a group or student. Sponsors are informed they are to turn in all money from the day that they receive even if it is all checks. The administrative secretary signs and dates each of the remittance slip form to acknowledging receipt of the cash and/or checks. The cash is counted in the presence of the sponsor when it is received. After the administrative secretary verifies the funds, she enters the receipt number on the remittance slip form 280-34. In addition, the admin secretary will go to the bank each day money is received if it over the allowable amount, as well as by the last working day of each month and before each weekend or holiday. In the event funds cannot be counted 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 administrative secretaries locked file cabinet. We are in the process of ordering a safe to better secure funds. The remitter should compose an email to the administrative secretary and copy the principal to as written acknowledgement that a sealed envelope was provided to the administrative secretary/financial agent. A count of funds in the presence of the remitter or a witness will be conducted as soon as possible thereafter.

Training

Staff was provided a brief overview of the MCPS financial process by a substitute administrative secretary during pre-service week in August 2016. The purchase process was also explained in depth during our staff meeting on October 10, 2016 by the administrative secretary. A power point presentation was presented to staff regarding important financial topics. Notes from this power point were distributed to staff along with supporting documentation to assist them with the financial process. For staff that was not in attendance, handouts were placed in their mailboxes. The administrative secretary is always available to explain the process and help each of the Blair G. Ewing staff complete forms to make sure everything is done within county guidelines.

Copy to:

Kevin Lowndes, director of school support and improvement of high schools