


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 13, 2017

MEMORANDUM

To: Dr. Jonathan T. Brice, Associate Superintendent
Office of Student and Family Support and Engagement

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

Subject: Report on Audit of Student Leadership Independent Activity Funds for the Period
July 1, 2014, through June 30, 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. Administrators of IAFs are 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 managed in accordance with MCPS policies, regulations, and procedures.

An IAF audit is conducted 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 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 November 10, 2017, meeting with you, we reviewed the status of the conditions described in our prior audit report dated April 17, 2014, and the status of present conditions. It should be noted that during Fiscal Years 2015 and 2016, oversight of this IAF was the responsibility of the Department of Student Services within the Office of Special Education and Student Services (OSESS). The reorganization of OSESS and elimination of the Office of Community Engagement and Partnerships (OCEP) resulted in reassignment of student leadership and other services to the Office of Student and Family Support and Engagement (OSFSE) effective July 1, 2016. It should be further noted that the coordinator responsible for this IAF during the time period of this audit was reassigned as part of the OSFSE's realignment activities effective July 1, 2017. This audit report presents the findings and recommendations resulting from our examination of the IAF records and financial accounts, including a PNC Bank checking account overseen by the coordinator, for the Student Leadership activity for the period designated above. This report also

presents improvements to operational control made with the hiring of the new coordinator for Student Leadership and Volunteers effective July 1, 2017.

Findings and Recommendations

The management of IAF must be in accordance with good business practices that include sound accounting and internal control procedures. One of these procedures requires that all checks written will bear two signatures (refer to *MCPS Financial Manual*, chapter 20, page 6). We noted that the previous coordinator discontinued this requirement as early as November 2014, and at times, the previous coordinator was the payee as well as the sole check signer. Further, internal control procedures require that a reconciliation of the monthly checking account statement must be completed by a person independent of daily accounting transaction input (refer to *MCPS Financial Manual*, chapter 20, page 9). We noted that bank reconciliations had not been performed, and that bank statements had been delivered directly to the previous coordinator rather than to the supervisor for initial review. Upon our recommendation, you took immediate action to close the checking account held at PNC Bank effective July 1, 2017, and the Division of Controller (DOC) assumed responsibility for depositing and disbursing Student Leadership funds from an account within the MCPS Financial Management System (FMS).

Internal control also requires that a monthly ledger report of receipts and disbursements must be provided by the coordinator to the supervisor for signature and date of review (refer to *MCPS Financial Manual*, chapter 20, page 9). We noted many transactions recorded in the ledger without a full explanation for the disbursement, and they often did not correspond with information recorded in the checkbook, or had no description. The previous coordinator also did not record a current balance in the ledger or checkbook after each receipt or disbursement. We recommend that the current coordinator provide a monthly ledger report of receipts and disbursements to you for review and signature approval by the 20th day of the following month to which the transactions pertain.

Documents supporting the IAF reports are part of the financial records and should be maintained in the coordinator's office. Supporting documents include MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, with invoices, cash register receipts, or other supporting documentation used as the basis for issuing checks (refer to *MCPS Financial Manual*, chapter 20, page 6). In addition, completed deposit slip copies that have been validated by the bank, bank statements and canceled checks, and cash receipt books with copies of receipts issued to remitters are required to be retained and on file for audit (refer to *MCPS Financial Manual*, chapter 7, page 4). A substantial amount of this documentation was unavailable for the audit period. Effective July 1, 2017, the current coordinator remits funds received to the DOC together with MCPS Form 280-92, *MCPS Deposit Log*. The current coordinator requests check payments via memorandum with receipts or invoices attached through you to the DOC who issues the check. We recommend that the process for depositing and disbursing Student Leadership funds through DOC be continued and that the current coordinator retains copies of this financial documentation for audit.

We noted that the previous coordinator erroneously deposited into the Student Affairs Office checking account a check made payable to the Make-a-Wish Foundation in the amount of \$46.02

that was received from a school in conjunction with a countywide fund-raiser. We recommend that the funds raised for the Make-a-Wish Foundation be forwarded using existing fund balance to the charity as originally intended.

MCPS Regulation DIE-RB, *Out-of-State Travel on Official Business*, requires advance approval for travel expenses that may be reimbursed. We found that the previous coordinator scheduled to attend two conferences, one in June 2016 and the other in June 2017, both held outside the Washington metropolitan area without receiving prior supervisor approval for the travel or reimbursement of expenses. Although professional leave was reported for the first conference, no leave was reported by the previous coordinator for the second conference. We recommend that a procedure be implemented that assures all reimbursable travel has the requisite approval, appropriate leave is approved and reported, and upon conclusion of the trip, documentation for allowed expenses be submitted for review and approval prior to disbursing funds for reimbursement.

Sponsors of field trips should have a complete roster of all eligible student names and annotate how much each student paid, students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be compared to remittances recorded in the general ledger. The data also should be used to estimate future trips. We did not find evidence to show how trip fees were calculated, that the previous coordinator had kept records of fees collected from students, or that trips had been approved by appropriate MCPS staff. We recommend that the current coordinator obtain approval from appropriate MCPS staff prior to conducting a field trip, use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, and retain complete and comprehensive data for review and audit. This data must be reconciled with receipts recorded in the FMS account. We further recommend trip planning be reviewed to ensure established fees are commensurate with trip expenses (refer to *MCPS Financial Manual*, chapter 20, page 10).

Summary of Recommendations

- Monthly ledger reports must be signed and dated by the supervisor to indicate review.
- Continue DOC deposit and disbursement process.
- Retain financial documentation for audit.
- Forward funds to the Make-a-Wish Foundation.
- Reimbursable travel expenses must be approved in advance, with receipts returned at the conclusion of the trip, and appropriate leave reported.
- Field trips must be approved in advance by appropriate MCPS staff.
- Field trip records must be prepared and maintained by the coordinator to provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip.

This office is working with the Office of Employee Engagement and Labor Relations to thoroughly review the former fund coordinator's past practices. 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. In your response, please share a detailed plan for addressing these issues, including appropriate staff training and support.

RWP:DKH:lsh

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Tallur


Mr. Ikheloa

Office of Student and Family Support and Engagement
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

January 17, 2018

MEMORANDUM

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

From: Jonathan T. Brice, Associate Superintendent 

Subject: Response to Report on Audit of Student Leadership Independent Activity Funds
for the Period of July 1, 2014 through June 30, 2017

The Office of Student and Family Support and Engagement (OSFSE) has reviewed the findings and recommendations resulting from your audit of the referenced account and reported to us on December 13, 2017.

As you share in the report, upon your recommendation OSFSE took immediate steps to transfer the student leadership independent activity fund to the administration of the Office of the Comptroller. Under the leadership of the new coordinator for Student Leadership and Volunteers, OSFSE has undertaken the several steps outlined and documented in the attached Management Action Plan.

If you have any questions, please contact me at 240-314-4824.

JTB:tla

Attachment

Copy to:
Mrs. Anderson
Mrs. Cherry

Management Action Plan

Office/Department/Division: Office of Student and Family Support and Engagement

Approved by: _____
Name/Signature 

Date: 1-24-18

Findings and Recommendations of Audit Report	Description of Resolution And Person(s) Responsible	Timeline		Evidence of Completion
<p>1. Monthly ledger reports must be signed and dated by the supervisor to indicate review.</p>	<p>The coordinator meets routinely with the supervisor (associate superintendent), and presents monthly reports for signature. Copies of the approved, signed and dated monthly ledger are maintained as follows: original – kept with financial records of the student leadership team; copy – filed in the records of the associate superintendent.</p>	<p>Dated: 11/17/17 12/18/18 1/16/18</p>		<ul style="list-style-type: none"> Copies of monthly financial reports
<p>2. Continue DOC deposit and disbursement process.</p>	<p>The coordinator continues to process deposits and requests for payment via the Comptroller</p>	<p>Deposits: 11/6/17 11/14/17 11/30/17 12/4/17 12/18/17 12/18/17 1/2/18</p>	<p>Check Requests: 9/12/18 1/2/18 (1) 1/2/18 (2) 1/2/18 (3) 1/2/18 (4) 1/4/18 1/8/18</p>	<ul style="list-style-type: none"> Copies of: *MCPS Deposit Logs *Memorandums for Check Requests for disbursement
<p>3. Retain financial documentation for audit.</p>	<p>The coordinator continues to maintain documentation for audit</p>	<p>October 2017</p>		<ul style="list-style-type: none"> Files, records available for inspection in room 211, Carver Educational Services Center
<p>4. Forward funds to the Make-a-Wish Foundation.</p>	<p>Payment request was made on 1/16/18.</p>	<p>January 2018 (in progress)</p>		<ul style="list-style-type: none"> Copy of the <i>draft</i> memoranda for payment
<p>5. Reimbursable travel expenses must be approved in advance, with receipts returned at the conclusion of the trip, and appropriate leave reported.</p>	<p>The coordinator is aware of the process, and will comply.</p>	<p>Ongoing</p>		<ul style="list-style-type: none"> No reimbursable travel activity has occurred as yet.

Findings and Recommendations of Audit Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>6. Field trips must be approved in advance by appropriate MCPS staff.</p>	<p>The coordinator complies with requirements for approval of all field trips in advance. The coordinator will use the appropriate MCPS forms for accounting and general purposes. Approval for Trips with MCPS transportation: MCPS Form #555-6 Approval for Trips, MCPS transportation NOT provided: MCPS Form #560-31</p>	<p>Ongoing</p>	<ul style="list-style-type: none"> No travel has been scheduled as of 1/16/18
<p>7. Field trip records must be prepared and maintained by the coordinator to provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip.</p>	<p>The coordinator maintains rosters of students and applicable payments received for each field trip. The coordinator will use the appropriate MCPS forms for accounting and general purposes. Field Trip Accounting: MCPS Form #280-41</p>	<p>Ongoing</p>	<ul style="list-style-type: none"> No travel has been scheduled as of 1/16/18

Note: Forward approved Management Action Plan to the Internal Audit Unit, CESC Room 31C