


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

March 22, 2017

MEMORANDUM

To: Dr. Tamitha E. Campbell, Principal
Briggs Chaney Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2015, through January 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 March 16, 2017, with you and Mrs. Jan W. Snider, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated June 16, 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 monthly financial reports are to be presented to the principal no later than the 20th day of the month following the close of each month. The principal shall review these reports, sign and date them to indicate review, and return them to the school financial specialist to be filed (refer to *MCPS Financial Manual*, chapter 20, page. 9). The monthly bank checking account statement must be reconciled by a person other than the school financial specialist and who does not have the

capability to record the daily online accounting transactions. We found that the bank reconciliations were not completed in a timely manner. Consequently, we noted that the other monthly reports were also not being prepared and furnished to you for your review by the 20th day of the month. We recommend that you be provided with all monthly financial reports for your review by the 20th day of the month following the close of each month.

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account history report for each month in which entries have been recorded in their respective accounts and should verify them for accuracy. We found that with the exception of the principal's reports, sponsors were not signing their respective reports during the 2015-2016 school year. We recommend that a procedure be established to ensure that all sponsors be required to review for accuracy their account history reports, resolve any discrepancies in their respective accounts, and return the signed statements to the school financial specialist (refer to *MCPS Financial Manual*, chapter 20, page 10).

MCPS Form 280-54: *Independent Activity Funds Request For A Purchase*, is used to obtain principal approval to proceed with an intended purchase (refer to *MCPS Financial Manual*, chapter 20, page 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. In our sample of disbursements, prior approval was not consistently obtained. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that MCPS Form 280-54 be prepared by staff and signed by the principal at the time verbal approval is sought. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining your approval at the beginning of the school year. These budgets should be monitored by your school financial specialist and revised if necessary.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We noted that some fund-raisers were documented with the required request and completion forms while other fund-raisers had neither of the required forms on file. We also noted several fund-raiser completion reports submitted at the conclusion of the activity that did not fully evaluate the results. We recommend compliance with the fund-raiser guidelines to provide for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the activity (refer to *MCPS Financial Manual*, chapter 20, pp. 12 - 13).

Summary of Recommendations

- Monthly financial reports must be provided to the principal for review and signature by the 20th of the month **(repeat)**.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the school financial specialist **(repeat)**.
- Purchase requests must be approved by the principal prior to procurement **(repeat)**.
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser* **(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, with a copy to Mrs. Diane M. 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:SMY:lsh

Copy to:

Members of the Board of Education

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FINANCIAL MANAGEMENT ACTION PLAN

School: Briggs Chaney Middle School

Principal: Tamitha Campbell

Fiscal Year: 2017-2018

Associate Superintendent: Dr. D. Williams

Director: Ms. D. Morris

Strategic Improvement Focus:

As noted in the financial audit for the period 5/1/15-1/31/17, strategic improvements are required in the following business processes :

- Bank statement will be balanced and submitted to the principal for review on/before the 20th of each month.
- Monthly IAF reports are given to sponsors and tracked by the financial specialist and reported to the principal each month.
- Staff will be reminded of IAF purchase guidelines and Form #380-54 requirements.
- All fundraisers will require approval and completion reports.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
<p>1) In order to ensure bank reconciliations are completed in a timely manner (on/before the 20th of each month), the following processes will be put in place:</p> <ul style="list-style-type: none"> • Administrative secretary is solely responsible for balancing the bank statement. • Add an Outlook task reminder to the calendars of principal's secretary, financial specialist and principal. 	Snider Jaeger	FY 18 online banking	Monthly bank statement School Funds Online (SFO)	Snider Jaeger Campbell	SFO Reconciliation records
<p>2) In order to ensure that all sponsors review for accuracy their account history reports, resolve any discrepancies and return the signed statements to the financial specialist the following will occur:</p> <ul style="list-style-type: none"> • Financial specialist will issue monthly written 5 day warning on their monthly sponsor report to staff to return monthly IAF reports. • The financial specialist and then principal will notify sponsors of delinquent reports. 	Snider Campbell	SFO monthly reports	SFO monthly reports Written warnings from financial specialist and principal, when warranted	Snider Campbell	Monthly IAF notebooks

<p>3) In order to ensure that prior principal's approval for expenditures is consistently obtained and explained fully MCPS Form 280-54:</p> <ul style="list-style-type: none"> At the time of verbal consent, staff will also be prepare Form 280-54 for principal signature to include details of the requested funds. Email purchase approval will be printed by the sponsor and attached to Form 280-54. Sponsors with numerous transactions and large-scale events, such as musical director, SGA sponsor, NJHS sponsor, will prepare an annual budget with the assistance of the financial specialist and submit it to the principal for signature/approval. Financial specialist will create a user-friendly budget form for sponsors to facilitate consistency. 	<p>Sponsor Snider</p>	<p>Form 280-54 Annual Staff Memo Outlook task reminder</p>	<p>Financial specialist and sponsor will use the monthly reports to track the budgeted spending Outlook task reminder</p>	<p>Snider Sponsor Principal</p>	<p>Principal and financial specialist will review in monthly meeting Form 280-54 to determine compliance</p>
<p>4) In order to ensure that all fundraisers conform to the Guidelines for Sponsoring an IAF fundraiser:</p> <ul style="list-style-type: none"> Both approval and completion reports are mandatory. 	<p>Sponsors</p>	<p>Fundraiser form MCPS fundraiser completion report</p>	<p>Request for fundraiser form and MCPS fundraiser completion report Pre-service financial sponsor training</p>	<p>Snider Campbell SDT</p>	<p>Agenda from pre-service financial sponsor training</p>

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

☒ Approved

☐ Please revise and resubmit plan by _____

Comments: _____

Director: Diane Morris Date: 5/16/17