


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

December 8, 2014

MEMORANDUM

To: Mrs. Mary Jo Powell, Principal
Brown Station Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2010, through October 31, 2014

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 IAFs are administered in accordance with MCPS policies, regulations, and procedures.

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 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 December 3, 2014, with you, and Mrs. Rosa Mandich, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated December 21, 2010, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2014. 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

MCPS Form 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-5). 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 random sample of disbursements, we found that prior approval was not consistently obtained. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54, be prepared by staff and signed by the principal at the time verbal approval is sought so that purchase orders and invoices bear a date subsequent to the approval date. Also, the purchaser must indicate on invoices and receipts that the goods or services were satisfactorily received. Upon disbursement, the invoices and receipts must be annotated as "paid" to avoid duplicate payment.

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account statement for each month in which transactions have been recorded in their account. We found this essential internal control procedure was not being used. We recommend sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the statements should be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all signed statements are reviewed and returned to the administrative secretary (see MCPS Financial Manual, p. 20-9).

Purchase card transactions were audited based upon requirements of the previous MCPS provider. Cardholders were to record purchases on transaction logs and submit them monthly with invoices and receipts attached for review and approval by the principal. Monthly summary reports were to be reviewed, signed and dated by the principal to ensure that purchases were appropriate and within established limits. We found that logs with receipts and invoices attached for principal review and approval had not been maintained, and monthly cardholder statements and summary reports had not been signed and dated by the principal. The current MCPS purchase card provider replaces the manual log with online transaction reconciliation. We recommend compliance with the requirements of the MCPS *Purchasing Card Users Guide*.

Cash and checks collected by sponsors and other individuals for IAF activities must be remitted with MCPS Form 280-34, *Remittance Slip*, to the administrative secretary on the day the funds are received. We found instances in which staff collecting funds for field trips, school store, and yearbooks were holding funds rather than remitting them timely to the administrative secretary (see MCPS Financial Manual p. 7-4). We recommend that all staff who collect funds for school activities be reminded of remittance requirements.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. We found that there was a lack of adherence to the approval and completion reporting guidelines. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. Each fund-raiser should be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund-raising activity should be recorded in a separate account and a completion report prepared that analyzes the results.

Completion reports should also be retained in the school office (see MCPS Financial Manual, p. 20-11).

Review of field trip activities again 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 administrative secretary when a trip is completed (see MCPS Financial Manual, p. 20-9). The record of 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 all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above.

MCPS Regulation DMB-RA, *Control of Admission Receipts*, provides requirements for the accounting for sales of admission tickets. We found that MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, was not used to list tickets sold or to reconcile tickets issued to tickets returned and recorded receipts. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events, that all tickets be serially numbered and issued by the ticket controller, that a perpetual inventory is maintained, and that admission to all events be controlled in accordance with the above cited regulation.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (repeat);
- Invoices and receipts must be annotated as paid to indicate disbursement was made;
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary;
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*;
- Funds collected by sponsors must be promptly remitted to the administrative secretary;
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*;
- 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 (repeat); and
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Mrs. Mandich which greatly facilitated our audit. In accordance with MCPS

Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, please provide a response to the Internal Audit office within 30 days of this report, with a copy to Dr. LaVerne G. Kimball, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:GB:sd

Copy to:

Mr. Bowers
Dr. Navarro
Dr. Statham
Mr. Sanderson
Dr. Kimball
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

Fiscal Management Action Plan

School: Brown Station Elementary School

Principal: Mary Jo Powell

Approved by community superintendent: Dr. LaVerne Kimball

Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Monthly Sponsor Reports Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary.</p>	<p>The administrative secretary will provide sponsors with a monthly statement of their accounts and they will verify the transactions, and that they are accurate. The administrative secretary will send an email to sponsors requesting their signature on the statement. After resolution of any discrepancies, the statements will be signed and dated by the sponsors and kept on file. The administrative secretary will organize monthly statements in a binder that will be stored on the shelf adjacent to her desk.</p> <p>Person(s) Responsible: Bookkeeper, administrative secretary and account sponsors.</p>	<p>Once per month. In practice beginning January 2015.</p>	<p>Signed and dated statements.</p>
<p>Purchase Request Approval Purchase requests must be approved by the principal prior to procurement.</p>	<p>At the time that verbal approval is sought from the principal, Form 280-54 will be prepared and signed by both requesting staff and the principal. The principal will ensure detailed documentation/rationale of the purchase is attached to the request prior to signing. The invoices for the purchase will be signed and dated by the receiver.</p> <p>Staff members who do not secure advance approval, will not receive reimbursement for purchases.</p> <p>Person(s) Responsible: Administrative secretary, principal, staff requesting purchase</p>	<p>As needed New procedure began December 2014</p>	<p>Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver.</p>
<p>Documenting Reimbursements Invoices and receipts must be annotated as paid to indicate disbursement was made</p>	<p>All supporting documentation 280-54 must be attached with reimbursement check. Once check has been signed, the administrative secretary will stamp original receipt "paid." Documents will be filed with disbursements for the month.</p> <p>Person Responsible: Administrative secretary</p>	<p>As needed New procedure began December 2014</p>	<p>Completed Form 280-54, with documentation of purchase, and receipt of purchase (stamped as "paid")</p>
<p>Funds for Sponsored Activities Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the administrative secretary and promptly deposited.</p>	<p>Cash collected by sponsors will be counted in front of the administrative secretary and documented using form 280-34. Administrative secretary will sign form as documentation of receipt and sponsors will make a copy of the signed form for their records. Cash will be submitted by sponsors on a daily basis. Administrative secretary will make daily deposits.</p>	<p>Daily sponsor submission of funds Immediate receipt of funds (signature and signed copy of form) Deposits daily as needed.</p>	<p>Receipts of funds submitted and bank deposit statements.</p>

<p>Field Trip Planning and Funds 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 trip.</p>	<p>Person Responsible: Administrative secretary, sponsors</p> <p>Sponsors will use MCPS Form 280-41 to provide complete class or club rosters and note how much each student has paid, include the date, and any waivers or scholarships for students. At the completion of the trip, sponsors will check to make sure that the trip account history report matches with the funds they have collected. Sponsors will plan carefully to ensure that they do not overcharge or undercharge for a trip for students. Sponsors to record trip fees and provide complete data at the end of each trip. Trip planning will be reviewed by the administrative secretary and the principal to ensure that fees are appropriate.</p> <p>The administrative secretary will keep all supporting documentation for each field trip together.</p> <p>Person(s) Responsible: Administrative secretary, Teachers, sponsors, principal</p>	<p>As needed</p>	<p>Completed Form 280-41 and any additional documents relevant to each trip.</p> <p>Final balances verify that trip expense was appropriately calculated.</p>
<p>Fundraising Activities Fund-raising must conform to Guidelines for Sponsoring an IAF Fund Raiser</p>	<p>All fund raisers will be preapproved using form created by administrative secretary. All fund-raisers will have their own sub account in the SFO accounting system. All materials and monies for the fundraiser will be listed under that sub account. All materials for fundraisers will be purchased following MCPS policies and will be approved by the principal.</p> <p>Person(s) Responsible: Administrative secretary, sponsor, principal</p>	<p>As needed</p>	<p>Signed approval form for fundraiser and supporting documents</p>
<p>Admission Events Admission events must be conducted in accordance with MCPS Regulation DMB-RA</p>	<p>The school has already purchased the required colored tickets for events that require payment for admission. Fees collected must remain separate and accounted for (per ticket). All sponsors will account for each ticket and verify with supporting documents (required form) when submitting funds to the administrative secretary. Administrative secretary will specifically verify each submission of funds.</p> <p>Person Responsible: Administrative secretary, sponsors</p>	<p>As needed</p>	<p>All required forms are verified and accounts balance.</p>
<p>Purchase Card Purchase card activity must comply with MCPS Purchasing Card User's Guide</p>	<p>Reconciliation of monthly statement will be completed within five (5) working days of the statement notification each month. Monthly report, with the receipts will be submitted to the associate superintendent. Signed copy will be retained for audit purposes.</p> <p>Person Responsible: Administrative secretary, principal, assistant principal</p>	<p>As needed</p>	<p>Completed monthly log with signature by associate superintendent</p>

Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.