


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 8, 2017

MEMORANDUM

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

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

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2014, through October 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. School principals are the fiduciary agents for the IAFs and 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 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 November 29, 2017, meeting with you, Mrs. Christine D. Oberdorf, principal intern; and Mrs. Hjadla J. Sanchez-Montas; school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated December 8, 2014, and the status of present conditions. It should be noted that Mrs. Sanchez-Montas was assigned as school administrative secretary effective 7/10/2017. 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

The monthly bank statement and the cleared checks shall be delivered directly to the principal for review. The principal should have electronic access to the cleared checks via the online banking

system in order to identify the payee on any questionable check if check images have not been provided by the bank (refer to *MCPS Financial Manual*, Chapter 20, page 9). We noted that during the audit period the school did not receive its bank statement in the mail for multiple months. Requested copies of the missing statements received from the bank did not include copies of cancelled checks. Therefore, we were unable to review checks written during these months. We recommend that you request the bank provide access to cleared checks via its online system to allow printing of cleared checks should the bank statement not be received in the future.

Sponsors of school activities involving the collection or disbursement of IAF should be provided an account history report for each month in which transactions have been recorded in their account. We found that although the visiting bookkeeper was printing these monthly reports, they were not consistently distributed to the sponsors. We recommend that 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 all 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 statements are reviewed and returned (refer to *MCPS Financial Manual*, Chapter 20, page 10).

The management of IAF must be in accordance with good business practices that include sound accounting and internal control procedures. We noted a lack of adequate procedures in place for proper control and oversight of the IAF. We observed many records that were misfiled, and checks written that were not in sequential order or located in monthly folders that didn't correspond to the date they were written as well as many that were voided. In addition, we found that multiple checks had been handwritten and not recorded timely in the general ledger, resulting in check number errors when recording subsequent payment transactions. We recommend that you work with the school administrative secretary to establish processes that will structure workflow to ensure control and appropriate oversight of the IAF and to monitor transaction activity in an effort to reduce the number of errors (refer to *MCPS Financial Manual*, Chapter 20, page 1).

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the school administrative secretary together with a signed MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*. Funds should be verified in the presence of the remitter and a pre-numbered receipt should be issued promptly. In the event funds cannot be verified 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 school safe or receive written acknowledgement that it was provided to the school administrative secretary. Verification of these funds will be conducted in the presence of the remitter as soon as possible thereafter (refer to *MCPS Financial Manual*, Chapter 7 pp. 3-4). We noted that some sponsors were holding funds collected rather than remitting them to the school administrative secretary on a daily basis and that MCPS Forms 280-34 frequently had not been signed by the remitter and the school administrative secretary. We also noted that after the pre-numbered receipt stock had been exhausted, the school administrative secretary printed receipts on plain paper, thus negating control over remittance accountability. There also was no process for securing funds when the school administrative secretary was unable to verify and promptly deposit them. To improve controls, we recommend that sponsors promptly remit funds together with signed MCPS Forms 280-34 for prompt

verification and deposit by the school administrative secretary. We further recommend the use of School Funds Online pre-numbered receipts and a process to secure funds prior to bank deposit.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. 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. We noted that not all fund-raisers had a request form approved by the principal or evidence that an analysis of the results had been conducted at the conclusion of the activities. We recommend that sponsors submit a fund-raiser request form to receive written principal approval prior to conducting a fund-raiser, and prepare a completion report to be reviewed at the conclusion of the activity to analyze the results (refer to MCPS Financial Manual, Chapter 20, page 13).

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Student Organization Trips*. Trip approval forms signed by the principal, and the director of school support and improvement, when required, should be retained. Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, date paid, eligible students who did not participate in the trip, and students who received waivers, scholarships, or reduced fees. This data together with a list of all chaperones and volunteers should be provided to the school administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report (refer to *MCPS Financial Manual*, chapter 20, page 10). We found that trip approval forms were not all retained, that not all sponsors are providing completed data at the conclusion of each trip, and that data is not being compared to the final account history report. We recommend that all sponsors be required to use MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and follow the procedures outlined above. This data must be reconciled with remittances recorded in activity accounts. We further recommend that trip planning be reviewed to ensure established fees are commensurate with trip expenses.

MCPS Regulation DMB-RA, *Control of Admission Receipts*, sets forth procedures for the control of admission receipts for school events. The accounting for these events must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and perpetual inventory of tickets (refer to *MCPS Financial Manual*, chapter 20, page 13). We noted an admission event in which tickets were sold but MCPS Form 280-50 was not properly completed to reconcile tickets issued with tickets returned and sales receipts. In addition, we noted that no perpetual ticket inventory was present for the tickets held. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events for compliance with the above cited MCPS requirements.

Summary of Recommendations

- Monthly bank statement review must include cleared checks.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the school administrative secretary (**repeat**).

- IAF must be managed in accordance with sound accounting practices and effective internal control procedures.
- Fund collected by sponsors must be promptly remitted with signed MCPS Form 280-34 to the school administrative secretary (**repeat**).
- Funds remitted by sponsors must be promptly verified and receipted, prior to being deposited in the bank by the school administrative secretary.
- Implement a process to secure funds when the school administrative secretary is unavailable to verify and promptly deposit them.
- School Funds Online pre-numbered receipts must be used.
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser* (**repeat**).
- 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**).
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA (**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*, 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 Ms. Loretta M. Favret, director of school support and improvement of elementary schools. Based on the audit recommendations, Ms. Favret will indicate whether she 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:SMY

Attachment

Copy to:

Members of the Board of Education
Dr. Smith
Dr. Navarro
Dr. Statham
Dr. Zuckerman
Mr. Civin
Dr. Johnson
Dr. Kimball
Mrs. Camp
Mrs. Chen

Ms. Diamond
Ms. Favret
Mr. Reilly
Mr. Tallur
Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY 18	Fiscal Year: FY 18
School: Brown Station ES - 559	Principal: Mary Jo Powell
OSSI Associate Superintendent: Dr. LaVerne Kimball	OSSI Director: Ms. Loretta Favret
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>11/1/14-10/31/17</u>, strategic improvements are required in the following business processes :</p> <p>To ensure practices are in place that are aligned with MCPS policies for financial control procedures.</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Bank Statements and Deposits: -Deposits will be made daily during school hours and administration will review deposit slips. -Monthly bank statements will include cleared checks and reviewed at the end of the month.	Administrative Secretary	Deposit slips, Monthly copy of statement, returned checks	Verification of cleared checks, deposits match remittance forms and SFO documentation.	Administration -weekly -monthly	In progress. Meetings with administrative secretary to review procedures and expectations.
Monthly Sponsor Reports: -Monthly account history reports will be provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary.	Administrative Secretary Book Keeper Sponsors	Monthly statements from IAF	Checklist to verify reports signed.	Administration Book Keeper Monthly	Binder has been created and December sponsor reports have been signed, returned and filed.
Management of IAF: -Establish procedures for filing records -Following proper procedures for issuing checks -Ensuring IAF account records match recent transactions and paperwork filed.	Administrative Secretary Principal Book Keeper	Ongoing communication with auditor to consult regarding procedures	Instituted a binder system with separate sections for checks and for receipts. Checks are organized in numerical order with supporting documents	Administration Book Keeper Bi-Weekly meeting with Admin Sec.	Bi-Weekly meetings already in place. Procedures for checks are being followed. In progress-Proper on-line transactions
Funds for Sponsored Activities: -Sponsors will use form 280-34 when submitting funds. -Funds will be verified in the presence of the remitter and preprinted receipt provided. (No funds held by sponsors) -Funds will be locked in safe until taking to the bank that day.	Sponsors Administrative Secretary	Remittance form	Receipts of funds submitted and bank deposit statements.	Administration Book Keeper Bi-weekly administration meetings	In progress. Communication to all sponsors regarding procedures. Printed receipts currently being used.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Fundraising Activities: -Approval form submitted prior to fundraiser. -Follow MCPS procedures for use of tickets. form 280-50 -Analysis completed at end of fundraiser.	Sponsors Administrative Secretary Principal	approval form, 280-50, analysis	Signed approval form for fundraiser and supporting documents.	Administrative Secretary Principal Monthly or as presented	Preapproval form is already being used. In progress w/ managing ticket procedures and analysis of profit/loss. Sponsors have been told.
Field Trips: -All trips must be preapproved using MCPS required form. -Teachers must submit class list and names with remittance forms. -Sponsor should complete form 280-41.	Administrative Secretary Sponsors	Form 280-41 System to organize monthly fieldtrips	Completed form 280-41 and any additional documents relevant to each trip. Final balances verify that trip expense was appropriate.	Administrative Secretary, Principal Book Keeper Monthly review	Procedures already in place include (preapproval, cost calculation and use of 280-41)

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

Approved
 Please revise and resubmit plan by _____

Comments:

Director: *Joella Lavret*
 Date: *1/10/18*