


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

March 20, 2015

MEMORANDUM

To: Dr. Judith F. Lewis, Principal
Burning Tree Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2011, through January 31, 2015

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 March 20, 2015 with you, Miss Stephanie Schaufelberger, assistant principal, and Mrs. Mariam Jamgochian, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated March 5, 2012, and the status of present conditions. It should be noted that Mrs. Jamgochian was appointed administrative secretary effective December 15, 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

The principal is responsible for all monies received or disbursed within the school as well as the implementation of internal controls for achieving compliance with MCPS policies, regulations, and procedures pertaining to these funds. The principal has overall responsibility to ensure the maintenance and timely preparation of monthly financial reports (see MCPS Financial Manual, p. 20-8). Effective internal control includes the monthly receipt and review by the principal of the unopened bank statement, bank reconciliation report, and ledger report in a timely manner. Review

of these important reports must be evidenced by the principal's signature and date. We could find no indication that these important reviews were completed consistently during our audit period. We recommend you initiate a process that ensures this important internal control process occurs monthly (see MCPS Financial Manual, p. 20-9).

Sponsors of school activities which involve 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, or account has a balance. We again 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 statements are reviewed and returned (see MCPS Financial Manual, p. 20-9).

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. 20-4). 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. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt, and stamped or marked "paid". In our sample of disbursements, we found prior approval was not consistently obtained when required for many purchases. Invoices were still not signed by the receiver and documentation was not marked or stamped "paid". By requiring written prior approval the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff with an estimate of intended expenditure and signed by you at the time verbal approval is sought.

Controls for purchases completed using the MCPS purchase card differ from the above. Although prior approval is presumed up to the established limit for each cardholder, each purchase must be supported by a receipt which confirms that goods or services have been received, recorded on a monthly log that has these receipts attached, and the log must then be approved and signed by the approver. We again found that purchasing card logs were not prepared and that documentation supporting purchases had not been marked "paid." We also noted that some receipts were missing, as well as certification of receipt of goods or services for purchases. We recommend purchasing cardholders be required to comply with the requirements of the MCPS *Purchasing Card Users Guide*.

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the administrative secretary. Funds remitted to the office by sponsors should be jointly counted and a pre-numbered receipt issued to the remitter. Checks should be restrictively endorsed "for deposit only" to the school account. Remittances received should, in turn, be promptly deposited into the school's bank account. We again found these essential controls were not practiced increasing the likelihood of disagreements between sponsors and the administrative secretary. Large and infrequent deposits increase the possibility of loss of funds as well as decrease the school's ability to fund activities. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected should be remitted to the administrative secretary daily and promptly deposited (see MCPS Financial Manual, p. 7-4). We recommend you ensure time is available for this process to enable improved controls over funds received.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms signed by the principal (and associate superintendent, when required), should be retained. The administrative secretary should establish a separate account in the IAF for each 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. 20-10). The record of the names of eligible participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, and provide complete data at the conclusion of each trip.

The MCPS Financial Manual, p. 20-10, provides guidance on IAF account structure and utilization. The IAF chart of accounts is standardized for consistency in reporting. We found instances of nonconformity, and noted that sometimes field trip transactions were not classified properly in appropriate accounts. Such commingling renders it difficult to evaluate the results of activities, and may allow a loss to go undetected. We recommend that guidelines for uses of funds be reviewed and all related expenditures are recorded in proper accounts.

Summary of Recommendations

- Monthly financial reports must be reviewed, signed, and dated by the principal to indicate review;
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary (repeat);
- Purchase requests must be approved by the principal prior to procurement;
- Purchaser must confirm receipt of goods or services prior to disbursement (repeat);
- Purchase invoices and receipts must be annotated as “paid” to indicate disbursement was made (repeat);
- Purchase card activity must comply with the MCPS *Purchasing Card User’s Guide* (repeat);
- Funds collected by sponsors must be promptly remitted to the administrative secretary (repeat) for verification and receipt, prior to promptly being deposited in the bank;
- 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
- Accounting transactions must conform to the IAF chart of accounts.

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 office within 30 days of this report, with a copy to Dr. Donna S. Hollingshead, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

Dr. Zuckerman
Dr. Statham
Dr. Navarro
Dr. Hollingshead
Mr. Sanderson
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit

Fiscal Management Action Plan

School: Burning Tree Elementary

Principal: Judith F. Lewis

Approved by community superintendent: 

Date of approval: 4/27/15

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Sponsors were not consistently receiving monthly account statements to review transactions. Visiting Bookkeeper did not always print out all sponsors who had activity or a balance in their accounts. Need to keep a binder of all signed reports and follow up when not returned.</p> <p>Cash and checks not turned in promptly to administrative secretary with a remittance advice. Receipts written to remittance advice need to be issued promptly.</p>	<p>Admin Secretary will provide a monthly account reconciliation report to activity sponsors. They will check for accuracy, sign their agreement, and return the report to Mariam. She in turn will keep notebook of all signed reports. Dr. Lewis will check the notebook periodically.</p>	<p>April 2015, and each month thereafter no later than the fifth of the succeeding month.</p>	<p>Signed and returned forms</p>
<p>Form 280-34 is currently in use when funds are turned in. Teachers have been requested to turn in all forms by lunch, or no later than 1:30 to allow time for preparation of deposits. Dr. Lewis will share the results of this audit with the leadership team to help them understand the importance of prompt submission.</p>	<p>Form 280-34 is currently in use when funds are turned in. Teachers have been requested to turn in all forms by lunch, or no later than 1:30 to allow time for preparation of deposits. Dr. Lewis will share the results of this audit with the leadership team to help them understand the importance of prompt submission.</p>	<p>Dr. Lewis will meet with the team in May. She will repeat the meeting with the Leadership Team during the summer. Admin secretary will present to the staff during pre-service week...</p>	<p>Completed Forms 280-34 Completed deposit slips</p>
<p>Although disbursements are being approved in advance using Form 280-54, recipients are not signing the receipts submitted to the administrative secretary. Invoices or other documentation supported purchases should be stamped "Paid" and received. Instances were found where the dates were made to look as if the purchases were pre-approved but actually may have only had verbal approval.</p>	<p>Dr. Lewis will meet with the staff to ensure that receipts are signed when they are turned in. Admin secretary will stamp invoices or receipts "Paid" when they are received. Staff will again be informed that purchase made without prior written permission cannot be reimbursed.</p>	<p>Staff Meeting in May. Invoices will be stamped beginning in April, 2015.</p>	<p>Forms 280-54, signed receipts, and stamped invoices.</p>
<p>Previous Admin Secretary was not</p>	<p>Admin secretary will prepare purchasing logs and</p>	<p>Beginning in April</p>	<p>Copies of monthly logs</p>

<p>preparing monthly logs of Purchase Cards for principal to review. Purchasing Card monthly logs with receipts attached have not been submitted to the principal for approval and signature. Principal's logs should be submitted to the community superintendent for approval.</p>	<p>submit them to Dr. Lewis for approval and signature. Dr. Lewis will review and approve and send the log to the associate superintendent for review.</p>	<p>with the receipt of the audit, and monthly thereafter.</p>	
<p>Many field trips in FY14 had income and expenses in different accounts and trips were closed out to General Field trips. Most staff held funds until all students paid and not all turned in a complete field trip accounting showing who paid, when they paid, amount they paid. Some records not complete to be able to fully reconcile trips. Not all requests had the principal's signature and no signed copies on file for out of area or overnight trips with associate superintendent's approval.</p>	<p>Sponsors will use Form 280-41 to document names of trip participants and the amount, dates, and purpose of moneys collected. Sponsors will turn in a field trip accounting form at the end of the trip. A file has been established for all paperwork associated with out of area or overnight.</p>	<p>Beginning with the receipt of this audit in April, and continuing thereafter. Principal will meet with ILT and staff during pre-service week.</p>	<p>Signed Reconciliation Reports Forms 280-41.</p>
<p>Prior admin secretary was entering receipts manually in SFO and not printing receipts for sponsors. Many of the staff were holding funds and not remitting to admin secretary when received. Prior admin secretary held funds over allowable limit and over holidays and weekends.</p>	<p>All receipts will be printed on numbered stock and copies given to the receiptee. Staff will turn in funds each day received, and admin secretary will go to the bank each day that funds are received.</p>	<p>April 2015 and daily thereafter.</p>	<p>Copies of deposit slips and receipts</p>
<p>Monthly financial reports were not provided to the principal for review and signature. Visiting Bookkeeper was printing out monthly ledger reports and monthly bank reconciliation but not meeting with the principal. Prior admin secretary was handwriting all checks instead of printing from software</p>	<p>Admin secretary and principal will meet with visiting bookkeeper together to ensure that all monthly financial reports are printed, reviewed, and signed by the principal. Admin secretary is printing checks rather than handwriting them</p>	<p>March, 2014 and monthly thereafter.</p>	<p>Filed signed and copied reports</p>