


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

April 19, 2018

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
February 1, 2015, through February 28, 2018

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 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 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.

In our meeting on April 12, 2018, with you, and Mrs. Mariam R. Jamgochian, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated March 20, 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

The IAF chart of accounts provides guidance on standardized account structure and utilization for consistency in reporting (refer to *MCPS Financial Manual*, chapter 20, page 10). We found instances of non-conformity, and noted that some transactions were not classified properly in appropriate accounts. Such commingling renders it difficult to evaluate the results of activities. We recommend that guidelines for uses of funds be reviewed, and all related expenditures are recorded in proper accounts.

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain the principal's 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 the IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt, and stamped or marked "paid" upon disbursement to preclude duplicate payment. In our sample of disbursements, we found invoices that were not signed by the receiver and documentation was not consistently marked or stamped "paid" upon disbursement. We recommend that the IAF purchases comply with the above MCPS requirements.

Controls over cash receipts need improvement. We noted that funds remitted to the school administrative secretary were not always deposited timely to the bank resulting in money held in excess of permitted amounts. Infrequent deposits increase the possibility of a loss of funds and diminish the school's ability to fund activities. To minimize the risk of loss and provide availability of funds to utilize to meet school needs, we recommend that all funds collected should be deposited to the bank promptly (refer to *MCPS Financial Manual*, chapter 7, page 4). In addition, all remittances on hand must be deposited before each weekend or holiday.

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 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.

Summary of Recommendations

- Accounting transactions must conform to the IAF chart of accounts (**repeat**).
- 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**).
- Funds remitted by sponsors must be promptly receipted and deposited in the bank by the school administrative secretary.
- 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**).

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 Mr. Matthew A. Devan, director of school support and improvement of elementary schools. Based on the audit recommendations, Mr. Devan will indicate whether he will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school financial agent to support you with developing a well-defined plan to address the findings.

RWP:BK:lsh

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

Mr. Devan

Ms. Diamond

Mr. Reilly

Mr. Tallur

Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 5/9/2018

Fiscal Year: 5/9/2018

School: Burning Tree ES - 419

Principal: Dr Judith Lewis

OSSI

Associate Superintendent: LaVerne Kimball

OSSI

Director: Matt Devan

Strategic Improvement Focus:

As noted in the financial audit for the period 2/1/2015-2/28/18, strategic improvements are required in the following business processes :

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Administrative Secretary and Admin will review MCPS Manual, Chapter 20. to ensure that accounting transactions are conformed to the IAF chart of Acct	Mariam Jamgochian,, Judith Lewis, Principal	School Finance manual,	Monthly Bookkeeper report	Bookkeeper/ Dr Lewis	All transactions will be entered in the appropriate accounts
Staff will be retrained on submitting the request for purchase and the requirements for signing the receipts	Mariam Jamgochian	School Finance manual,	Collection of Receipts	Mariam Jamgochian	Meeting agenda, Signed receipts attached to the requests
Purchase invoices and receipts will be annotated / stamped "paid", to indicate that disbursement was made	Admin Secretary: Mariam Jamgochian	A stamp	Monthly review of receipts.	Mariam Jamgochian/ bookkeeper	Stored and filed receipts
All cash and checks will be deposited the same day as collected, teachers will be reminded to send money before noon.	Mariam Jamgochian	Support from admin.	looking at the deposits records	Dr.Lewis/ Bookkeeper.	Deposit forms and the bank slips

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Field Trip records will be prepared by sponsors to participate and to reconcile funds collected with costs of the trip	Field Trip Sponsors	Form 208-41	Form 208-41	Mariam Jamgochian/ before field trip	Completed forms that are matching to the funds provided

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

Approved Please revise and resubmit plan by _____

Comments:

Director:  Date: 5/25/18