


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

September 22, 2017

MEMORANDUM

To: Mr. Lee F. Derby, Principal
Cedar Grove Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2014, through July 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 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. It should be noted that Ms. Mandich appointment as administrative secretary was effective July 1, 2017.

At our September 15, 2017, meeting with you and Mrs. Rosa G. Mandich, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated August 27, 2014, 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

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 to

properly record expenditures in appropriate accounts and ensure comply with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. A check may then be drawn, and it must bear two signatures, one of which is that of the principal. The school administrative secretary will mark the invoice as "paid." In our sample of disbursements, we found instances in which controls over purchases were weakened that included MCPS Form 280-54 was not signed by the principal in advance of purchase; inadequate documentation to assure the school benefited from the purchase; invoices not annotated by the purchaser to indicate the goods or services were satisfactorily received; and invoices supporting purchases were not stamped or marked "paid." By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAFs. We recommend that MCPS Form 280-54 be prepared by staff for your signature at the time verbal approval is sought and that complete documentation be attached to fully explain the reason for the purchase that is annotated to indicate satisfactory receipt by the purchaser and is marked "paid" upon disbursement.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted intact with MCPS Form 280-34, *Remittance Slip*, to the school administrative secretary on the day the funds are received. The school administrative secretary should count the funds received in the presence of the remitter, issue a receipt, restrictively endorse any checks "for deposit only," and promptly deposit the funds in the school's bank account. Funds not promptly remitted and deposited become susceptible to loss or theft, and are not available to disburse from the school's checking account to pay for school requirements. We found instances in which staff collecting funds for field trips and other activities were holding rather than remitting them promptly to the school administrative secretary. We also noted that the school administrative secretary was not always making timely bank deposits. To minimize the risk of loss or theft, and to make funds available to meet school needs, we recommend that all funds collected should be promptly remitted to the school administrative secretary for prompt deposit in the bank (refer to *MCPS Financial Manual*, chapter 7, page 4).

In accordance with the February 16, 2017, memorandum from the chief financial officer, *Local Revenue-based Summer School Program Planning and Approval Process for Fiscal Year 2018* (refer to attached memorandum), schools organizing Local Summer Programs (LSPs) must submit proposals and business plans to central office for review and approval. LSPs are to be self-supporting with student registration fees sufficient to cover all operational and administrative expenses. Reduced fees must be made available to qualifying students and may be prorated for noncredit courses as outlined in the above mentioned memorandum. We found that you began collecting fees prior to central office approval of your plan, and that you reported all students paying full price, when in fact, twelve students paid reduced fees. We recommend that you review the above memorandum to ensure future compliance with all the required processes for planning and approval of LSPs. We noted that you used Online School Payments (OSP) to process financial transactions for your LSPs, and recommend that you expand the use of OSP to other activities to reduce the workload of cash handling requirements for sponsors and the school administrative secretary.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Purchase documentation must be adequate to support disbursements.
- Purchase invoices must be annotated as “paid” to indicate disbursement was made.
- Funds collected by sponsors must be promptly remitted (**repeat**) to the school administrative secretary for prompt deposit.
- Ensure compliance with required processes for planning and approval of LSPs.
- Expand the use of OSP to further reduce staff cash handling requirements for staff.

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. Gregory S. Edmundson, director of school support and improvement of elementary schools. Based on the audit recommendations, Mr. Edmundson 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 administrative secretary to support you with developing a well-defined plan to address the findings.

RWP:MJB:lsh

Attachments

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

Mr. Edmundson

Mr. Tallur

Mr. Ikheloa

Fiscal Management Action Plan

School: Cedar Grove Elementary School
 Approved by director: 

Principal: Lee Derby
 Date of approval: 10-31-17

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Purchase requests must be approved by the principal prior to procurement with complete documentation attached to form 280-54.	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 prior to making the purchase. The principal will ensure detailed documentation/rationale of the purchase is attached to the request. The invoices for the purchase will be signed and dated by the receiver .	As needed	Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by principal and receiver prior to making the purchase.
	Inform staff regarding the process for making purchase requests.	November 8, 2017 Staff Meeting (verbal) and via staff memo (hard copy and posted on Cedar Grove Staff Shared Google folder).	Staff meeting agenda; process and memo placed in Cedar Grove Staff Shared.
Purchaser must confirm receipt of goods or services prior to disbursement.	Invoices will be annotated by the purchaser to indicate the goods or services were satisfactorily received. Inform staff regarding the process for confirming receipt of purchase requests.	Upon receipt of goods or services November 8, 2017 Staff Meeting (verbal) and via staff memo (hard copy and posted on Cedar Grove Staff Shared Google folder).	Annotated invoices Staff meeting agenda; process and memo placed in Cedar Grove Staff Shared.
Purchase invoices must be annotated as paid to indicate disbursement was made.	The administrative secretary will mark or stamp the invoices supporting the purchase as paid upon disbursement.	At the time of disbursement	All purchase invoices will be marked or stamped as paid.

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Funds collected by sponsors must be promptly remitted intact with MCPS form 280-34, <i>Remittance Slip</i> , to the administrative secretary and promptly deposited in the bank.	<p>Cash collected will be counted in front of the remitter and a receipt will be issued at that time by the administrative secretary.</p> <p>Cash and checks will be submitted by sponsors on the day funds are received, and the administrative secretary will make timely bank deposits, to include on the last working day of each month and before each weekend or holiday.</p>	<p>Daily counting of funds and immediate receipt issued.</p> <p>Sponsors submit funds daily. Deposits made daily as needed.</p>	Receipts of funds submitted and bank deposit statements; accurate completion of form 280-34.
	Inform staff of the procedure regarding prompt and daily remittance to Ms. Mandich, administrative secretary the day it is received.	November 8, 2017 Staff Meeting (verbal) and via staff memo (hard copy and posted on Cedar Grove Staff Shared Google folder).	Staff meeting agenda; process and memo placed in Cedar Grove Staff Shared.
Ensure compliance with required processes for planning and approval of Local Summer Programs (LSPs).	<p>The principal and assistant principal will submit a timely proposal and business plan to central office for review and approval for a Local Summer Program (LSP), following proper processes and guidelines.</p> <p>The administrative secretary will report accurate payment of fees.</p>	<p>As per the due date as stipulated by the guidelines.</p> <p>Upon receipt of paid fees.</p>	<p>Completed proposal and business plan; approval from central office.</p> <p>Record of collected fees</p>
Expand the use of Online School Payments (OSP) to further reduce staff cash handling requirements for staff.	<p>Increase the use of the OSP through other activities to reduce cash handling by sponsors and the administrative secretary.</p> <p>Administrative secretary to attend OSP training 11/8/17 and will set up online school accounts.</p> <p>Teachers and administrative secretary will monitor online payments that have been received from parents.</p>	As needed/appropriate	<p>Creation of online school accounts.</p> <p>OSP reports</p> <p>Promotion of OSP through website, permission slips, and newsletters</p>

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