

Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

November 17, 2016

MEMORANDUM

To: Mrs. Jody L. Smith, Principal  
Chevy Chase Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
April 1, 2013, through September 30, 2016

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 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 November 3, 2016, with you, Mrs. Kathleen A. Hecklinger, assistant principal, and Mrs. Vickie L. Krehbiel, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated June 19, 2013, 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

In accordance with the April 16, 2012, memorandum from the chief operating officer (COO), the expenditure of general funds to provide refreshments for staff meetings and staff appreciation is \$60 per full-time staff equivalent position per fiscal year. Although you stayed within the guidelines of

the memorandum, the transactions pertaining to these expenditures were not always recorded in accordance with the standard IAF chart of accounts. If expenditures are not appropriately recorded, the amount of audit time and effort to assess compliance increases, therefore, the reliability of your IAF records for decision-making is critical. We recommend that all accounting transactions be recorded in compliance with the standard IAF chart of accounts (refer to *MCPS Financial Manual, chapter 20, page 11*).

Regardless of the documentation that is approved, the procurement of goods and services and all check disbursements from a school's IAF must be approved by the principal using MCPS Form 280-54: *Independent Activity Funds Request for a Purchase*, prior to the expenditure of funds (refer to the *MCPS Financial Manual, chapter 20, page 6*). We noted instances in which this form was not used when disbursements were made to MCPS. We recommend MCPS Form 280-54 be used to document principal approval of all check disbursements.

If an independent contractor is not currently listed in the School Funds Online (SFO) accounting software as a districtwide vendor, an IRS Form W-9 must first be obtained and forwarded to the Division of Controller (DOC) prior to making any payment. The DOC annually reviews payments made to all districtwide vendors for issuance of IRS Forms 1099 in compliance with federal tax reporting requirement (refer to MCPS Regulation DIA-RB, *Payments for Services and Reimbursements for Expenses from School Independent Activity Funds*). Among your disbursements, we found that payments for services to independent contractors did not follow these procedures. We recommend that payments for personal services be made and reported in compliance with the applicable regulations and procedures (refer to *MCPS Financial Manual, chapter 20, page 15*).

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the school administrative secretary. Cash should be counted in the presence of the purchaser, and a receipt that is supported by MCPS Form 280-34: *Independent Activity Fund (IAF) Remittance Slip*, should be issued promptly. We found instances in which staff collecting funds for yearbook, outdoor education, and book fair were holding funds rather than remitting them timely to the school administrative secretary. We recommend that all funds collected be promptly remitted to the school administrative secretary (refer to the *MCPS Financial Manual, chapter 7, page 4*).

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Student Organization Trips*. All trip approval forms must be signed by the principal, and the director of school support and improvement, and 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. We found that not all sponsors were providing completed data at the conclusion



of each trip, and that data was 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

- Transactions must be recorded in compliance with the standard IAF chart of accounts.
- MCPS Form 280-54 must be used to document all check disbursements.
- Independent contractor payments must comply with MCPS Regulation DIA-RB.
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to 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.

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 Unit within 30 calendar days of this report, with a copy to Mrs. Cheryl L. Smith, director of school support and improvement of elementary schools. In your response, please share a detailed plan for addressing these issues including appropriate staff training and support. The Office of School Support and Improvement will follow up on this audit.

RWP:GWB:lsh

#### Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Dr. Johnson

Mr. Civin

Dr. Kimball

Mrs. Camp

Mrs. Chen

Mrs. DeGraba

Ms. Diamond

Mrs. Smith

Mr. Ikheloa

**Fiscal Management Action Plan**

School: Chevy Chase Elementary School  
 Approved by community superintendent: \_\_\_\_\_

Principal: Jody L. Smith  
 Date of approval: \_\_\_\_\_

<b>Findings and Recommendations of School's Financial Report</b>	<b>Description of Resolution and Person(s) Responsible</b>	<b>Timeline</b>	<b>Evidence of Completion</b>
<p><b>Staff Appreciation and Meeting Refreshments</b>                      All expenses for staff appreciation and staff meeting refreshments need to be recorded in the appropriate account to enable monitoring of these sums</p>	<p>When MCPS Form 280-54 (Independent Activity Funds Request for Purchase) is prepared to pay for staff appreciation and staff meeting refreshments expenses, the appropriate account (staff appreciation or meeting refreshments) will be designated on the Account to be Charged line.                      Person(s) Responsible: Administrative secretary, principal, staff requesting purchase</p>	<p>As needed                      New procedure began November 2016</p>	<p>Funds were transferred from the General account to Staff Appreciation account and Meeting Refreshments account                      Appropriate expenses charged to these accounts</p>
<p><b>Purchase Request Approval for Disbursements to MCPS</b>                      Purchase requests, including IReceivables, 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. IReceivables invoice and customer payment number should be attached to Form 280-54 after payment is made to MCPS.                      Person(s) Responsible: Administrative secretary, principal, staff requesting purchase</p>	<p>As needed                      New procedure began November 2016</p>	<p>Completed Form 280-54 with IReceivables statement, documentation of purchase, and receipt of purchase signed by receiver</p>
<p><b>Independent Contractors</b>                      IRS Form W-9 must be obtained from independent contractors not listed in SFO (School Funds Online) and forwarded to the Division of Controller prior to making a payment</p>	<p>Payments to independent contractors will be made only after IRS Form W-9 has been obtained. Such payments will be reported monthly to the Division of Controller using MCPS Form 280-47A, Independent Activity Funds Report of Payments to Independent Contractors, as described in MCPS Regulation DIA-RB, Payments for Personal Services and Reimbursements for Expenses from School Independent Activity Funds. The principal and administrative secretary reviewed the MCPS Financial Manual, Pg. 20-13 together. The office team and ILT met and made a group decision that moving forward, no honorariums would be given.                      Person(s) Responsible: Administrative secretary, principal</p>	<p>As needed                      New procedure began November 2016</p>	<p>Beginning in November 2016, per the decision of the ILT, no honorariums will be given by CCES.</p>



<p><b>Funds for Sponsored Activities</b> Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the administrative secretary and promptly deposited.</p>	<p>Cash and checks collected by sponsors will be counted in front of the administrative secretary and documented using MCPS Form 280-34. The administrative secretary will sign the form as documentation of receipt and sponsors will make a copy of the signed form for their records. Cash and checks will be submitted by sponsors on a daily basis. The administrative secretary will make daily deposits.</p> <p>Person(s) Responsible: Administrative secretary, sponsors</p>	<p>Daily sponsor submission of funds Immediate receipt of funds (signature and signed copy of form) Deposits daily as needed.</p> <p>New procedure began November 2016</p>	<p>Receipts of funds and bank deposit statements</p>
<p><b>Field Trip Planning and Funds</b> Field trip records prepared by sponsors must be provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary.</p>	<p>Sponsors will use MCPS Form 280-41 to provide complete class rosters and note how much each student has paid, include the date, and any scholarships for students. At the completion of the trip, sponsors will check to make sure that the trip account history report matches the funds they have collected. Sponsors will plan carefully to ensure that they do not overcharge for a trip for students. Sponsors will record trip fees and provide complete data at the end of each trip. Trip planning will be reviewed by the administrative secretary and principal to make sure that fees are appropriate. 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>New procedure began November 2016</p>	<p>Completed forms 280-41 and any additional documents relevant to each trip</p> <p>Final balances verified that trip expenses were appropriately calculated</p>