


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

April 10, 2017

MEMORANDUM

To: Mrs. Holly A. Gilbertson, Principal
Clearspring Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2014, through February 28, 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 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 meeting on April 4, 2017, with you and Mrs. Paula J. Austin, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated May 21, 2014, and the status of present conditions. It should be noted that Mrs. Austin's assignment as school administrative secretary was effective July 1, 2016. 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 principal approval to proceed with a purchase. After the purchase is completed, the purchaser should submit the invoice or receipt, annotated to indicate satisfactory acceptance of the goods or

services, to the school administrative secretary. Upon disbursement, the school administrative secretary must stamp or mark the invoice or receipt as "paid" to prevent duplicate payment (refer to *MCPS Financial Manual*, chapter 20, page 6). In our sample of disbursements, we found that the invoices or receipts were not always signed by the purchaser to indicate satisfactory acceptance of the goods or services and that they were not stamped or marked "paid" upon disbursement. We recommend that action be taken to bring purchasing into compliance with MCPS requirements.

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 promptly issued. We found instances in which staff collecting funds for field trips were not remitting them in a timely manner to the school administrative secretary. We also noted that not all remittances were accompanied with MCPS form 280-34. We recommend that all funds collected be promptly remitted to the school administrative secretary together with MCPS Form 280-34 (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. 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. We recommend that all sponsors provide comprehensive data to account for all students eligible to participate and that they reconcile funds collected for each field trip.

Summary of Recommendations

- Purchaser must confirm receipt of goods or services prior to disbursement.
- Invoices and receipts must be annotated as paid to indicate disbursement was made.
- Funds collected by sponsors must be promptly remitted along 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 appreciate 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 Mr. Michael D. Bayewitz, 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:

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Date: April 11, 2017

To: LaVerne Kimball, Associate Superintendent
Mike Bayewitz, Director of School Support and Improvement

From: Holly Gilbertson, Principal

Regarding: Response to Internal Audit

This memo is to clarify the actions to be taken following the findings to the internal audit completed and delivered to Clearspring Elementary on April 10, 2017. The summary stated the following:

- Purchaser must confirm receipt of goods or services prior to disbursement.
- Invoices and receipts must be annotated as paid to indicate disbursement was made.
- Funds collected by sponsors must be promptly remitted along with the 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 reconcile funds collected with cost of the trip.

In order to meet these findings, the principal will meet weekly with the administrative secretary in order to ensure these actions are followed through with fidelity by:

- Reviewing all paperwork and requests for purchase prior to any checks being disbursed
- Meeting with the teacher during pre-service to explicitly share the process for field trip records including the processing of money transactions
- Ensure that all paid invoices are stamped as "paid"