


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

June 6, 2016

MEMORANDUM

To: Ms. Sandra S. Reece, Principal
Cold Spring Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2013, through February 29, 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 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 May 23, 2016, with you and Mrs. Kay Matthews, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated September 24, 2013, and the status of present conditions. It should be noted that your appointment was effective July 1, 2015, and that of Mrs. Matthews was effective August 4, 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

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. 20-6). 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 marked or stamped "Paid" upon disbursement of funds, and attached to Form 280-54. In our random sample of disbursements, we again found prior approval was not consistently obtained, invoices were not always signed by the recipient, and invoices were not stamped or marked "Paid". By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54, be prepared by staff and signed by you at the time verbal approval is sought, so that purchase orders and invoices bear a date subsequent to the approval date, and that all invoices are marked by the recipient to indicate purchased goods or services were satisfactorily received and stamped or marked "Paid" to avoid duplicate payment.

If an independent contractor is not currently listed in School Funds Online (SFO) as a districtwide vender, 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 Form 1099 in compliance with federal tax reporting requirements (see MCPS Regulation DIA-RB, *Payment for Personal Services and Reimbursements for Expenses from School IAFs*). Among your disbursements, we found that payment for services to an independent contractor did not follow these procedures. We recommend that payments for personal services be made and reported in compliance with the applicable regulations and procedures (see MCPS Financial Manual, p. 20-15).

Review of field trip activities again revealed that not all trip sponsors are providing completed financial information to the administrative secretary at the completion of a 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. The record of names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. We recommend all sponsors be required to use Form 280-41, or equivalent and follow the procedures outlined above (see MCPS Financial Manual, p. 20-10).

Cash and checks collected by sponsors and others authorized for IAF activities must be remitted with MCPS Form 280-34, *Remittance Slip*, to the administrative secretary on the day they are received. We again found instances in which staff collecting funds for field trips were holding rather than remitting them timely to the administrative secretary (see MCPS Financial Manual, p. 7-4). We recommend that all staff who collect funds for school activities be reminded of remittance requirements. To reduce the workload of using cash handling requirements for sponsors and administrative secretary, we further recommend using Online School Payment (OSP).

Summary of Recommendations

- Expenditure of funds must be approved by the principal prior to procurement (repeat);

- Invoices and receipts must be annotated as “Paid” to indicate disbursement was made (repeat);
- Independent contractor payments must be made in accordance with MCPS regulation;
- 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);
- Funds collected by sponsors must be promptly remitted using MCPS Form 280-34 to the administrative secretary (repeat); and
- Cash handling by sponsors and administrative secretary can be reduced using OSP.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Mrs. Matthews, which greatly facilitated our audit. 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 Mr. Pat Abrunzo, director of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:GB:sd

Copy to:


Dr. Zuckerman
Dr. Statham
Dr. Navarro
Dr. Kimball
Mr. Abrunzo
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit

Cold Spring Elementary School
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

July 12, 2016

MEMORANDUM

To: Roger W. Pisha, Supervisor, Internal Audit

From: Sandra S. Reece, Principal 

Subject: School Response to Audit of Independent Activity Funds for the Period
July 1, 2013, through February 29, 2016

Thank you for sharing the results of the recent audit and providing recommendations as the school moves forward. The findings of the audit reveal several areas in which the school can improve practice and procedures. In response to your recommendations, the following actions are being taken.

Recommendations:

- *Expenditures of funds must be approved by the principal prior to procurement.*
All purchases using Independent Activities Funds will be approved in advance. MCPS Form 280-54 will be completed for each purchase request in advance with the principal's signature. In order to ensure this practice, the administrative secretary will be given time during preservice to explain the form and expectations. This will be monitored on a monthly basis.
- *Invoices and receipts must be annotated as "Paid" to indicate disbursement was made.*
A "Paid" stamp was secured and will be used to mark invoices and receipts as paid with date of disbursement. The administrative secretary will be responsible for using this stamp consistently. This practice will be monitored monthly.
- *Independent contractor payments must be made in accordance with MCPS regulation.*
When independent contractors provide school programs, etc, the administrative secretary will check to see if the contractor is listed in School Funds Online. If not, the administrative secretary will obtain a W-9 from the contractor in advance and forward it to the Division of Controller before making any payment.

- *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.*

Field trip procedures are being updated to facilitate a full accounting of all expenses. In addition to the Field Trip Calculator, sponsors will be asked to complete a rationale for the trip and calculate the number of chaperones required. The sponsor will collaborate with the administrative secretary to arrive at a cost per student total. During pre-service, the administrative secretary will present the upgraded field trip documents with expectations for record keeping.

- *Funds collected by sponsors must be promptly remitted using MCPS Form 280-34 to the administrative secretary.*

Teachers will be reminded not to hold field trip payments before submitting the monies to the office for deposit. This will be emphasized during preservice week. At the end of each field trip, a final accounting will be completed by the administrative secretary. The records of each field trip will be kept in individual files and used to determine any changes or modifications that need to occur.

- *Cash handling by sponsors and administrative secretary can be reduced by using OSP.* The school will introduce parents and staff to OSP and begin using this option in FY17.

The administrative secretary and I are committed to improving procedures at Cold Spring that will eliminate a recurrence of these finding in the future. This feedback is important in guiding and improving our practice.

Copy to:

Ms. Favrett