


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

April 18, 2019

MEMORANDUM

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

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

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2016, through February 28, 2019

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 Board of Education policies, MCPS regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with 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 any significant errors or omissions in the financial records are detected.

At our April 15, 2019, meeting with you; Mrs. Kay P. Matthews, school administrative secretary; and Ms. Leilani Micalizzi, visiting bookkeeper, we reviewed our prior audit report dated June 6, 2016, 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. After acquisition, the purchaser should submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the school administrative secretary. Upon disbursement, the documentation is to be stamped or marked "paid" to preclude duplicate

payment (refer to *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal and receipts were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received. We recommend that the IAF purchases comply with MCPS procedures.

To properly control funds, all cash and checks collected by sponsors for IAF activities should be remitted promptly to the school administrative secretary. These funds should then be verified in the presence of the remitter and a receipt that is supported by MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, should be issued promptly (refer to *MCPS Financial Manual*, chapter 7, page 4). We found instances in which funds were held by sponsors, rather than being remitted on a daily basis to the school administrative secretary, and not always promptly deposited into the school's bank account. To minimize the risk of loss and provide availability of funds to meet school needs, we recommend that all funds collected be remitted daily to the school administrative secretary for prompt deposit.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Student Organization Trips*. Trip approval forms should be signed by the principal, and the director of learning, achievement, and administration, when required, and retained for future reference. 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 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

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Funds collected by sponsors must be promptly remitted to the school administrative secretary (**repeat**).
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the school administrative secretary.
- Field trip records that are 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 Mrs. Jennifer L. Webster, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mrs. Webster will indicate whether she will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school administrative secretary to support you with developing a well-defined plan to address the findings.

RWP:AMB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Morris

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Reilly

Mrs. Webster

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

REPORT DATE: MAY, 2019	FISCAL YEAR: 2019
SCHOOL: COLD SPRING ELEMENTARY	PRINCIPAL: SANDRA REECE
OSSI ASSOCIATE SUPERINTENDENT: DIANE MORRIS	OSSI DIRECTOR: JENNIFER WEBSTER
STRATEGIC IMPROVEMENT FOCUS: As noted in the financial audit for the period March 1, 2016 through February 28, 2019, strategic improvements are required in the following business processes: Purchase Requests Evidence of Receipt of Purchased Items Fund Collection Documentation of Deposits Field Trip Documentation	

ACTION STEPS	PERSON RESPONSIBLE	RESOURCES NEEDED	MONITORING TOOLS/DATA POINTS	MONITORING: WHO & WHEN	RESULTS/EVIDENCE
Information regarding appropriate processes and procedures for each of the items above is documented in the Staff Handbook (repeat)	Principal & Administrative Secretary	Staff Handbooks	Evidence documented in Staff Handbooks	Principal & Administrative Secretary will ensure that Staff Handbooks are updated by August 26	Updated Staff Handbooks
Processes and procedures for items above are explicitly addressed during Pre-service	Principal & Administrative Secretary	Staff Handbooks, PowerPoint presentation, Promethean Board	Signed statement of understanding	Principal & Administrative Secretary	Signed statement of understanding
Memorandum to select staff approving purchases totaling 100.00	Principal		Cumulative record of monies spent	Principal & Administrative Secretary as each request is received	Staff members remain within pre-approved spending limits
Requests for Purchase submitted and received appropriately	Purchase requester, Principal & Administrative Secretary	MCPS Form 280-54	Dates of request & approval, Receipts and Reimbursements	Principal, Bookkeeper, & Administrative Secretary as forms are received	Requests for Reimbursement and accompanying materials filed correctly

[Handwritten Signature] 6/4/19

ACTION STEPS	PERSON RESPONSIBLE	RESOURCES NEEDED	MONITORING TOOLS/DATA POINTS	MONITORING: WHO & WHEN	RESULTS/EVIDENCE
Funds will be received & processed according to MCPS policies	Staff members & Administrative Secretary	MCPS Form 280-34	Remittance & Deposit Slips that show alignment	Principal & Bookkeeper monthly	Ledgers reflecting alignment of practices
Field Trip Accounting practices will align with MCPS Regulation IPD-RA	Staff members, Administrative Secretary & Principal	MCPS Form 280-41	MCPS Form 280-41, Documented financial records	Administrative Secretary, Bookkeeper and Principal prior & post field trip	Documented financial records demonstrating fidelity to MCPS expectations