


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

January 11, 2017

MEMORANDUM

To: Mrs. Stacey F. Rogovoy, Principal
College Gardens Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2013, through November 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 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 January 4, 2017, with you and Mrs. Constance J. Boorstein, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated December 16, 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

Transfers of funds between general ledger accounts may be made only after MCPS Form 281-46: *Independent Activity Funds–Transfer*, has been executed by both the account sponsor and the principal. The forms must be fully documented and adhere to MCPS guidelines for allowable uses of funds. We found that MCPS Form 281-46 was not prepared before transfers were made nor was the School Funds Online (SFO) accounting system journal entry proof sheet signed by

the principal. We recommend that MCPS form 281-46 be prepared, signed by the sponsor and presented to the principal for approval. Once approved the transfer can then be entered into SFO (refer to *MCPS Financial Manual*, chapter 20, page 12).

MCPS Form 280-54: *Independent Activity Funds Request For A Purchase*, is used to obtain principal 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 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. A check may then be drawn; however, it must bear two signatures, one of which is that of the principal or acting principal. After the check has been signed, the school administrative secretary will mark the documentation as "paid." In our sample of disbursements, we found that prior approval was not consistently obtained, invoices were not marked received and documentation was not stamped "paid." By requiring prior approval, the principal retains control over the expenditure of IAFs. We recommend that MCPS Form 280-54 be prepared by staff and signed by the principal at the time verbal approval is sought. In addition, invoices must be signed indicating that goods or services have been properly received, and the supporting documents must be stamped "paid" after the check has been signed.

Aggregate school expenditures of general funds for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per full-time equivalent (FTE) per fiscal year without the prior written authorization from the chief operating officer (COO) (refer to *MCPS Financial Manual*, chapter 20, page 5). These expenditures must be appropriately recorded in accordance with the IAF chart of accounts. We found that you exceeded the total amount allowed in FY 2016, without approval of the COO. We also found instances in which expenditures for these items were incorrectly classified and recorded in various accounts. Commingling increases the time required to determine whether or not guidelines have been followed and decreases the value of your financial reports for decision making. We recommend that you adhere to the MCPS requirements as well as correctly classify and record these transactions for more accurate accountability.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card User's Guide*. By the fifth of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements must be printed, signed and provided to the principal, with all purchase receipts and invoices attached. The principal must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. The principal's own card transactions are to be reviewed and approved by the respective director of elementary schools. Review of purchases revealed that cardholders are not entering account numbers for purchases made on IAF purchase cards. In addition, cardholders are not always reviewing transactions and signing statements by the 5th of the month nor are they submitting documentation in a timely manner to allow the principal to review by the 10th of the month. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Controls over cash receipts are in need of improvement. Staff that are collecting funds are not fully completing MCPS Form 280-34: *Independent Activity Fund (IAF) Remittance Slip*, and are holding funds rather than remitting them in a timely manner to the school administrative secretary. Also, the school administrative secretary on occasion was not making timely deposits to the bank. Failure to complete MCPS Form 280-34 in its entirety increases the likelihood that deposits are credited to the wrong account. Large and infrequent deposits increase the possibility of loss of funds, diminish the school's ability to fund activities, and are contrary to MCPS procedures. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, we recommend that all funds collected should be remitted to the school administrative secretary daily together with a fully completed MCPS Form 280-34 (refer to *MCPS Financial Manual*, chapter 7, page 4).

In addition, field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Student Organization Trips*. Trip approval forms signed by the principal, and the director of school support and improvement, 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 (refer to *MCPS Financial Manual*, chapter 20, page 10). 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 found instances in which fees collected exceeded sums needed to pay for a trip. We recommend that all sponsors use MCPS Form 280-41: *Field Trip Accounting*, or equivalent, and follow the procedures outlined above. We further recommend the pricing of trips be more closely monitored (refer to *MCPS Financial Manual*, chapter 20, page 10).

Summary of Recommendations

- Transfers between accounts should be fully documented and approved by the principal.
- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made (**repeat**).
- Staff appreciation and meeting refreshment combined total expenditures may not exceed \$60 per FTE per fiscal year without prior approval of the COO.
- Accounting transactions must conform to the IAF chart of accounts.
- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide*.
- Cash control of school funds must be in accordance with chapter 7 of the *MCPS Financial Manual*.
- 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**).

- Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses (**repeat**).

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 Mr. Eric A. Wilson, 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:SMY:lsh

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. Tallur

Mr. Wilson

Mr. Ikheloa



College Gardens Elementary School

1700 Yale Place • Rockville, Maryland 20850 • Phone: 301-279-8470 • Fax: 301-279-8473

Stacey Rogovoy, Principal

MEMORANDUM

To: Mr. Eric Wilson, Director, Office of School Support and Improvement
From: Stacey Rogovoy, Principal *Stacey Rogovoy*
Date: January 18, 2017
Subject: Audit of Independent Activity Funds

The purpose of this memorandum is to provide specific actions regarding the financial audit completed for the period from November 1, 2013 through November 30, 2016. The following actions have been taken to comply.

Effective immediately all transfer of funds made in the School Funds Online (SFO) accounting system will be pre-approved by the principal using MCPS form 281-46 and the journal entry proof sheet signed by the principal.

Staff has been notified that no purchases may be made unless prior authorization has been received from me. Staff members must fill out MCPS form 280-54, *Request for a Purchase*, to be signed by me prior to purchase. In the future, all approvals will be made in writing using the standardized form. In addition, all supporting documents will be stamped or marked "paid" when a check is signed.

A complete accounting of funds spent for staff appreciation will be kept in SFO and the monthly activity balance sheets will be signed by the principal. All funds will be correctly classified and recorded. Funds that were given by the PTA for staff appreciation tee shirts, sweatshirts and/or refreshments should have been paid directly to the vendor instead of to the school as a reimbursement. In the future the PTA will be asked to pay the vendors directly.

Purchase card holders have been reminded that all transactions are to be reviewed by the fifth of every month, the statements printed, reconciled and turned in to the administrative secretary to ensure the principal can review them by the tenth of every month.

Staff have been informed of the need for entirely completing MCPS form 280-34 prior to turning in funds. They were also reminded to be sure to turn in any money collected every day. Forms have been put in google docs for easy access for staff.

Field Trip costs will be calculated by the administrative secretary. All field trips are calculated based upon the expected number of students attending. We do have many parents who provide additional funds to cover the costs for students who are unable to pay for the trips. In the last couple years we have had an abnormally high number of students who have not paid for field trips. Field trip accounting forms will be used by teachers and collected by the administrative secretary to document the receipts. All teachers have been reminded that they are to turn in field trip monies daily with the appropriate accounting form (completely filled out) and to turn in a completed accounting form at the end of every field trip. Teachers have been informed that even when student's trips are paid for on-line or are not paid for at all must be notated on the field trip accounting form at the end of each field trip.

If you have any questions, please contact me.

Fiscal Management Action Plan

School: College Gardens Elementary School

Principal: Stacey F. Rogovoy

Approved by Director of School Support and Improvement: _____ Date

1/24/17

Findings and Recommendations of School's Financial Report	Description of Resolution and Person(s) Responsible	Timeline	Evidence of Completion
Transfer of funds	<p>The administrative secretary, principal and sponsor will complete MCPS form 281-46 prior to a transfer being made on SFO accounting system journal entry (JE) proof sheet.</p> <p>The journal entry proof sheet will be signed by the principal and bookkeeper.</p>	Immediately	Completed MCPS form 281-46 attached to JE proof sheet
Monthly financial reports must Be signed and dated by the Principal to indicate review	<p>The administrative secretary will: put a review and signature flag as a reminder to sign the report.</p> <p>Add signature step to the guidelines cover sheet used to prepare for the visiting bookkeeper</p> <p>File completed packets from</p>	Monthly	Signed and dated statements

	<p>bookkeeper</p> <p>The principal will review all reports with bookkeeper then sign.</p>		
Staff appreciation funds	<p>The Principal will ensure that no more than \$60.00 per FTE staff member will not be spent unless approved by the Chief Operating Officer.</p>	Immediately	<p>All expenditures will be appropriately recorded in accordance with the IAF chart of accounts.</p> <p>Signed and dated expenditures. in activity reports to reflect amount spent.</p>
Purchase card transactions	<p>Purchase card holders will:</p> <p>Review all transactions by the fifth of every month.</p> <p>Print statements and reconcile then turn in to the administrative secretary on the fifth of every month.</p> <p>Principal will review all transactions by the tenth of every month.</p>	Monthly	Binder complete with all statements and documentation.
PTA money will be properly designated	<p>PTA will pay vendors directly for items purchased for staff</p>	Immediately	There will be no additional monies given to the school for staff meetings or staff appreciation.
Purchase requests must have approval by the principal prior to procurement	<p>Staff will request approval of purchases in writing (e-mail) and copy the administrative secretary</p>	When purchase requests are made.	<p>Completed MCPS form 280-54 e-mails with requests and approval</p> <p>Itemized receipts to document</p>

	<p>Complete and sign MCPS form 280-54 at the time of approval Principal will ensure detailed documentation/rationale of the purchase is attached to the request.</p> <p>Staff members who do not secure advance approval, will not receive reimbursement for purchases.</p>		<p>purchase. Invoices signed by administrative secretary</p>
<p>Purchaser must confirm receipt of goods or services prior to disbursement.</p>	<p>The administrative secretary, building service manager, media specialist, or reading specialist will:</p> <p>Inventory the received goods. Sign and date receipts or invoices to confirm receipt of goods before disbursement.</p>	<p>After purchases are made</p>	<p>Binder of purchases will be maintained with proper documentation.</p> <p>Completed MCPS form 280-54 Itemized receipts to document purchase</p> <p>Invoices signed by administrative secretary</p> <p>Administrative secretary will stamp all receipts paid when a check is written.</p>
<p>Purchase documentation must be annotated as paid to indicate disbursement was made.</p>	<p>The administrative secretary will sign and date invoices for the purchase and will be annotated as paid.</p>	<p>After received goods are inventoried, invoice signed, dated, and disbursed.</p>	<p>Completed MCPS form 280-54 documentation of invoices, purchase orders, receipts will be annotated as paid.</p>
<p>Cash handling process must conform to Chapter 7 of MCPS Finance Manual</p>	<p>Sponsors (only) will collect, count, and document all money (cash or check) collected from students</p>	<p>Daily when sponsors collect for trips</p>	<p>Completed and signed MCPS form 280-34 - receipts of funds submitted.</p>

	<p>using MCPS form 280-34</p> <p>Sponsors will submit by 2:00 p.m. all cash and checks collected on a daily basis.</p> <p>Wait and observe the counting of submitted money.</p> <p>The administrative secretary will count all submitted money in front of the sponsor.</p> <p>Make daily deposits to include the last working day of the month and before each weekend or holiday.</p> <p>Issue a receipt after counting</p>	<p>Daily when received</p>	<p>Receipt of funds submitted and Bank deposit statements</p>
<p>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</p>	<p>Principal will sign the approval for a field trip prior to it being scheduled.</p> <p>The principal and administrative secretary will:</p> <p>Prepare a checklist to guide sponsors through field trip accounting processes.</p> <p>Review with all staff during pre-service week with a refresher at a mid-year staff meeting</p>	<p>As needed for field trips</p>	<p>Completed MCPS form 280-41</p> <p>Completed checklist and other documents relevant to each field trip</p>

	<p>Review trip planning packet to monitor and ensure that fees are sufficient.</p> <p>Sponsors and administrative secretary will plan carefully for field trips to ensure that estimated costs are sufficient, not overcharged or undercharged.</p> <p>Use MCPS form 280-41 (with class rosters) to document and maintain proper accounting of field trips. Note how much each student has paid; the date, and any waivers or scholarships for students must be noted.</p> <p>Indicate if a student is not attending the trip or activity.</p> <p>Indicate a donation made by a parent to provide additional funds to help defray the cost for students unable to pay.</p> <p>Submit a final copy of MCPS form 280-41 at the completion of the trip and compare remittance recorded to the trip account history report.</p> <p>The data will be used by the sponsors and administrative</p>		
--	--	--	--

	secretary to plan for future trips.		
--	-------------------------------------	--	--

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