

Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

September 18, 2015

MEMORANDUM

To: Ms. Sherri A. Gorden, Principal
Cresthaven Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2012, through July 31, 2015

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 September 14, 2015, with you and Miss Sherrill Marty, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated June 8, 2012, 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

We previously reported that sponsors of school activities were not timely remitting funds collected to the administrative secretary and that funds receipted were accumulating in excess of permitted amounts, rather than being deposited to the bank promptly. Based upon the current

condition of the records, we were not able to determine with precision when sums collected were remitted and receipted. Our analysis of the history of bank deposits during the 2014-2015 school year, however, shows deposits were made on 27 different days and in amounts suggesting that sums in excess of permitted amounts were still being held. Large and infrequent deposits increase the possibility of loss of funds, diminish the school's ability to fund activities, and are contrary to IAF procedures. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected should be remitted to the administrative secretary daily (see MCPS Financial Manual, p. 7-4) for prompt deposit to the bank. In addition, all remittances on hand must be deposited before each weekend or holiday.

In addition to the above previously reported finding, we found other weaknesses in controls. Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, bank reconciliation report and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date. We could find no indication that these important reviews were completed consistently during our audit period. We recommend you initiate a process that ensures this important internal control process occurs monthly (see MCPS Financial Manual, p. 20-8).

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account history report for each month in which transactions have been recorded in their account. We found this essential internal control procedure was not being used. We recommend sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the statements should be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all statements are reviewed and returned (see MCPS Financial Manual, p. 20-9).

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. 20-4). 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 and marked to indicate payment. In our sample of disbursements, we found disbursements that did not have adequate documentation to fully explain the reason for the expenditure, and invoices were not always signed by the receiver. We also found disbursements that had been recorded in the accounts incorrectly. Correct recording is essential to ensure expenditures which are restricted, such as those that benefit staff, can be monitored. We recommend that care be taken to ensure all purchases are documented and correctly recorded.

Cash and checks collected by sponsors and others for IAF activities should be remitted to the administrative secretary using MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, counted and receipted by the financial agent in the presence of the person turning in the funds. We found that remittance forms were not associated with the respective receipts. We

recommend that remittance forms, receipts and bank deposit records should be filed in accordance with chapter 7 of the MCPS Financial Manual.

Summary of Recommendations

- Funds collected by sponsors must be promptly remitted to the administrative secretary using MCPS Form 280-34 and receipted and deposited promptly (repeat);
- Principal should receive the unopened monthly bank statement and initial and date to indicate review;
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary;
- Controls over purchases must be improved; and
- Cash control of school funds must be in accordance with chapter 7 of the MCPS Financial Manual.

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 office within 30 days of this report, with a copy to Dr. LaVerne G. Kimball, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:LS:sd

Copy to:

Dr. Zuckerman
Dr. Statham
Dr. Navarro
Dr. Kimball
Mrs. Chen
Mrs. DeGraba
Miss Fladung
Mrs. Milwit

Fiscal Management Action Plan

School: **Cresthaven Elementary School**

Principal: **Sherri Gorden**

Approved by Director of School Support and Improvement: *afadung*

Date of approval: **11/5/15**

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Funds collected by the sponsors must be promptly remitted to the administrative secretary using MCPS Form 280-34 and receipted and deposited promptly.	The administrative secretary will set aside a ½ day block twice a week to count and remit funds to the bank. Money that is receipted will be submitted to the bank a minimum of 1 time per week/2 times if receipted money is greater than allowed amount.	Twice weekly	Proof of more frequent deposits with lower deposit amounts
Principal should receive the unopened monthly bank statement and initial and date to indicate review.	The administrative secretary will provide the principal with the unopened monthly bank statement and initial and date to indicate review	Once per month	Initialed/dated bank statements
Monthly Account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary.	The administrative secretary will provide sponsors with a monthly statement of their accounts and they will verify the transactions, and that they are accurate. After resolution of any discrepancies, the statements will be signed and dated by the sponsors and kept on file.	Once per month	Signed/dated history reports
Controls over purchases must be improved and cash control of school funds must be in accordance with chapter 7 of the MCPS Financial Manual.	The administrative secretary will begin to file all remittance slips and receipts together; school store, media, and fund raisers will no longer have a separate folder for receivables/payables.	Ongoing	All receivables/payables, remittance slips and checks will be filed in chronological order

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