


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

May 14, 2019

MEMORANDUM

To: Mr. Gregg Baron, Principal
DuFief Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
November 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 May 2, 2019, meeting with you; Ms. Kimberly E. McWilliams, school administrative secretary; and Mrs. Mary J. Phillips, visiting bookkeeper, we reviewed our prior audit report dated December 1, 2016, and the status of present conditions. It should be noted that your appointment as principal was effective March 26, 2019. 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

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 (refer to *MCPS Financial Manual*, chapter 20, page 9). Although these reports were prepared monthly

by the school's visiting bookkeeper, several reports had not been reviewed and signed. We recommend that you initiate a process that ensures this important internal control process occurs monthly.

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

- IAF must be managed in accordance with sound accounting practices and effective internal control procedures.
- Purchase requests must be approved by the principal prior to procurement.
- 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.
- 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.

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

Mr. Tallur

Mrs. Webster

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY19	Fiscal Year: FY19
School: DuFief ES - 241	Principal: Mr. Gregg Baron
OSSI Associate Superintendent: Ms. Diane Morris	OSSI Director: Ms. Jennifer Webster
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>11/1/16-2/28/19</u>, strategic improvements are required in the following business processes :</p> <p>1. Managing of Bank Statements 2. Request for Purchases and Receipt of Goods/Services 3. Remittance of Funds by Sponsors 4. Field Trip Reconciliation</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
1.1 Admin sec will ensure upon receipt of bank statements and bank reports, they are delivered to principal for review, signature and date via the principal's signature folder. All procedures will be reviewed with staff members during pre-service.	Admin Sec Principal	Bank reports Signature folder	Admin secretary will keep all documentations in monthly financial folders.	Principal Admin Sec Visiting Book keeper Monitored Monthly	Reviewed, signed and dated bank documentation
2.1 Prior to purchasing, requests will be made and approved by principal on form 280-54.	Principal Admin Sec All staff Visiting Book keeper	Completed Form 280-54 Invoice/Receipts	Admin secretary will keep all documentations in monthly financial folders which are reviewed monthly by Visiting Bookkeeper	Principal, Admin Sec, All staff Visiting Book keeper Monitored Monthly	Completed form 280-54, with documentation of purchase and receipt/invoice marked as received and stamped as paid.
2.2 All supporting documentation and form 280-54 marked received must be attached with reimbursement check receipt. Staff who do not secure prior approval will not receive reimbursement.	Principal Admin Sec All staff Visiting Book keeper	Completed Form 280-54 Invoice/Receipts	Admin secretary will keep all documentations in monthly financial folders which are reviewed monthly by Visiting Bookkeeper	Principal, Admin Sec, All staff Visiting Book keeper Monitored Monthly	Completed form 280-54, with documentation of purchase and receipt of purchase and stamped as paid.
3.1 All staff will submit all money collected by 1:15pm with remittance form 280-34 completed and signed by sponsor. A copy of form 280-34 will be provided to sponsor with receipt of posting from SFO.	Admin Sec All staff	Completed form 280-34	Admin secretary will keep all documentations in monthly financial folders and will remind staff of established procedures when necessary.	Principal, Admin Sec, All staff Visiting Book keeper Monitored Monthly	Completed form 280-34 with dates matching

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
3.2 Any money collected by staff after 1:15pm or when admin secretary is not present will be secured in the school's safe. 280-54 will then be filled out the following day.	Admin Sec All staff	Completed form 280-34	Money collected will be secured in safe prior to end of day and in lieu of daily deposits.	Principal, Admin Sec, All staff Visiting Book keeper Monitored Monthly	Completed form 280-34 with dates matching
3.3 All financial commitments over \$5.00 will be established for payment via the Online School Payment platform.	Admin Sec All staff	Completed form 280-34 OSP	Regular monitoring of emails from OSP and checking OSP and possible electronic deposits twice a month.	Principal, Admin Sec, All staff Visiting Book keeper Monitored Monthly	Completed form 280-34 with dates matching. OSP Reports SFO reports
4.1 Field trip packet/procedures will be revised and presented to all staff during pre-service. Sponsor will submit form 280-41 to provide class rosters with student payment and date.	Principal Admin Sec All staff Visiting Book keeper	Completed form 280-41	Admin secretary will keep all documentations in monthly field trip folders.	Principal, Admin Sec, All staff Visiting Book keeper.	Completed form 280-41, with documentation relevant to field trip.
4.2. At the completion of trip, sponsors will check to make sure the account history report (280-41) matches with funds collected (280-34s) and submit to admin sec.	Principal Admin Sec All staff Visiting Book keeper	Completed form 280-41 Completed 280-34s	Admin secretary will keep all documentations in monthly field trip folders and document which staff have returned form 280-41	Principal, Admin Sec, All staff Visiting Book keeper.	Completed form 280-41, all 280-34s with documentation relevant to field trip.

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL

Approved Please revise and resubmit plan by _____

Comments:

Director: _____

Date: 5/28/19