

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 5, 2018

MEMORANDUM

To: Mr. Matt W. Johnson, Principal
Eastern Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2017, through November 30, 2017

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 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 January 30, 2018, meeting with you and Ms. Elizabeth R. Wilhelm, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated February 10, 2017, and the status of present conditions. It should be noted that your appointment as principal was effective July 12, 2017. 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

To properly control funds, all cash and checks collected by sponsors for IAF activities should be remitted promptly to the school financial specialist. 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 in a timely manner to the school financial specialist on a daily basis, 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 financial specialist 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 school support and improvement, when required, and retained for audit. 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 financial specialist 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. 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

- Funds must be promptly remitted by sponsors to the school financial specialist.
- Funds remitted must be promptly verified, receipted, and deposited in the bank by the school financial specialist.
- 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.

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. Diane D. Morris, director of school support and improvement of middle schools. Based on the audit recommendations, Mrs. Morris 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 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

Dr. Williams

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mrs. Morris

Mr. Tallur

Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: February 20, 2018	Fiscal Year: February 20, 2018
School: Eastern MS - 775	Principal: Matt Johnson
OSSI Associate Superintendent: Dr. Darryl L. Williams	OSSI Director: Ms. Diane Morris
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>1/1/17 - 11/30/17</u>, strategic improvements are required in the following business processes :</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
All cash and checks collected for IAF activities should be remitted promptly to the school financial specialist: 1. Principal will send email reminder to all sponsors regarding timely remittance of funds as delineated in chapter 7 of MCPS Financial Manual.	Principal, IAF sponsors	280-34 Remittance Form, MCPS Financial Manual, Chapter 7	280-34 Remittance Forms	Ongoing: SFS will report untimely deposits to principal who will follow up with sponsors	Completed Form 280-34 with back-up documentation such as 281-21, IAF sponsor's record. Email record.
2. School Financial Specialist (SFS) will remind sponsors of remittance expectations at the beginning of each IAF activity.	SFS, IAF sponsors	280-34 Remittance Form, MCPS Financial Manual, Chapter 7	280-34 Remittance Forms	Ongoing: SFS will question sponsors regarding cash or checks which appear to have been held	Completed Form 280-34 with back-up documentation such as 281-21, IAF sponsor's record. Email record.
3. SFS will conduct pre-service training for IAF sponsors in August regarding remittance expectations.	SFS, IAF sponsors	280-34 Remittance Form, MCPS Financial Manual, Chapter 7	280-34 Remittance Forms	August pre-service instruction by SFS	Completed Form 280-34 with back-up documentation such as 281-21, IAF sponsor's record. Pre-service agenda.
Each date of payment by a student must be included on sponsor's record of field trips: 1. New York trip sponsor did complete 7 pages of 281-21 Sponsor's Record, but SFS had a summary spread sheet of funds collected which did not have the dates.	SFS IAF sponsor	281-21 Sponsor's Record	281-21, Sponsor's Record, or similar spreadsheet which shows date of each field trip remittance	SFS will obtain the 281-21 and file it with the field trip documentation	Date of remittance for each field trip payment will be evident in field trip documentation

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2. SFS will provide appropriate spreadsheet to all field trip sponsors at the time a field trip is approved and review the required fields.	SFS, IAF sponsor	281-21 Sponson's Record, or similar spreadsheet	281-21 Sponsor's Record, or similar spreadsheet	SFS will monitor sponsor spreadsheets on ongoing basis	Sponsor spreadsheets include all required data, including date of payment (s) made by each student

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

Approved **Please revise and resubmit plan by _____**

Comments:

Director: Drave Morris Date: 2/27/18