


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

June 25, 2018

MEMORANDUM

To: Dr. Adrienne L. Morrow, Principal  
East Silver Spring Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
June 1, 2015, through April 30, 2018

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 June 19, 2018, meeting with you, and Ms. Bernadette H. Sykes, school administrative secretary, we reviewed our prior audit report dated June 25, 2015, 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

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 by you. 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 not properly documented, purchases were made prior to receiving the approval of the principal, receipts were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received, and invoices supporting purchases were not stamped or marked "paid." We recommend that the IAF purchases comply with MCPS procedures.

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 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 card transactions are to be reviewed and approved by the director of elementary schools. We found that none of the monthly statements were printed, and the receipts were not filed with the cardholder's records. We also found transactions had not been timely reviewed by the cardholder or approved by her supervisor in the online reconciliation program. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

To properly control funds, all cash and checks collected by sponsors for the IAF activities should be remitted promptly to the school administrative secretary together with MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*. These funds should then be verified in the presence of the remitter, and a receipt issued. The school administrative secretary, should then promptly deposit the funds in the bank (refer to *MCPS Financial Manual*, chapter 7, page 4). We found instances in which deposit documentation did not include the MCPS Forms 280-34 completed by sponsors, or other source documentation, as required. Also, deposits to the bank were not always timely, and funds held in the school were in excess of permitted amounts. Infrequent deposits increase the possibility of a loss of funds, diminish the schools ability to fund activities, and are contrary to the *MCPS Financial Manual*. To improve controls, we recommend adoption of the procedures in the *MCPS Financial Manual*.

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 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

- Monthly financial reports must be signed and dated by the principal to indicate review **(repeat)**.
- Purchase documentation must be adequate to support disbursements **(repeat)**.
- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement **(repeat)**.
- Purchase invoices must be annotated as “paid” to indicate disbursement was made **(repeat)**.
- Purchase card transactions of the principal must be reviewed and approved by the respective director of elementary schools, and written documentation of approval retained for audit.
- MCPS Forms 280-34, and any other source documentation, must accompany every remittance and be filed in accordance with Chapter 7 of the *MCPS Financial Manual*.
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the school administrative secretary **(repeat)**.
- 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 Mr. Eric A. Wilson, director of school support and improvement of elementary schools. Based on the audit recommendations, Mr. Wilson will indicate whether he 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. Kimball

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Reilly

Mr. Tallur

Mr. Wilson

Mr. Ikheloa

**FINANCIAL MANAGEMENT ACTION PLAN**

<b>Report Date:</b> June 25, 2018	<b>Fiscal Year:</b> June 25, 2018
<b>School:</b> East Silver Spring ES - 756	<b>Principal:</b> Dr. Adrienne L. Morrow
<b>OSSI Associate Superintendent:</b> Dr. LaVerne Kimball	<b>OSSI Director:</b> Mr. Eric Wilson
<b>Strategic Improvement Focus:</b> As noted in the financial audit for the period <u>6/1/15- 4/30/18</u> , strategic improvements are required in the following business processes :	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
The principal will review the unopened monthly bank statement, bank reconciliation report, and ledger reports in a timely manner. The principal will sign and date and make sure this is done monthly.	principal	MCPS Financial Manual	monthly bank statements	principal monthly September 30th	signed documentation
The secretary will obtain the principal's approval to proceed with an internal purchase. The secretary will mark or stamp the purchase order ,paid.	principal secretary	MCPS Financial Manual	monthly meetings	secretary principal September 30th	signed purchase orders
The principal will use the reconciliation program to identify, describe and review transactions. The secretary will provide the monthly statements, printed with all purchase receipts and invoices.	principal secretary	MCPS Financial Manual	monthly statements monthly meetings	secretary September 30th	monthly signed documents
The principal's card transactions will be reviewed and approved by the director	principal	MCPS Financial Manual	card transaction sheets	principal September 30th	credit card documentation

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
The MCPS Form 280-34 and other documentation will accompany every remittance form and be filed in accordance with Chapter 7 MCPS	secretary	MCPS Financial Manual	monthly meetings	prinicipal secreatry September 30th	remittance forms (signed)
Remitted funds will be verified, receipted and deposited in the bank in a timely manner	secretary	MCPS Financial Manual	monthly meetings	secretary September 30th	deposit slips
All field trip records will be prepared by the sponsors and they will provide comprehensive data to account for all students eligible to participate and to reconcile funds collected with costs of the trip.	secretary	MCPS Financial Manual	monthly meetings	secreatry September 30th	completed field trip documentation
Attend the Finance Training	secretary prinicipal	MCPS School Finance Training	PDO training dates	principal September 30, 2018	meeting notes agenda

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

**Approved**       **Please revise and resubmit plan by** \_\_\_\_\_

Comments:

Director: \_\_\_\_\_



Date: \_\_\_\_\_

7/25/18