


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

October 25, 2018

MEMORANDUM

To: Mr. Michael W. Burd, 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
May 1, 2018, through August 31, 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 Board of Education policies, MCPS regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with policies, regulations, and procedures. 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 October 16, 2018, meeting with you, Mrs. Catherine Burton, assistant principal; and Mrs. Amy R. Curry, school administrative secretary, we reviewed our prior audit report dated June 25, 2018, and the status of present conditions. It should be noted that your appointment as principal and that of Mrs. Curry as school administrative secretary were both effective July 1, 2018. 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

Documents supporting the IAF reports are part of the financial records and should be maintained in the school office and filed in a logical manner in order to be readily available for audit or other purposes. IAF records shall be retained for a period of five years after the close of the year to which they apply and until all audit requirements have been met, whichever is longer, and then

destroyed (refer to the *MCPS Financial Manual*, chapter 20, page 16). Our review disclosed that all related fundraiser records were missing, including request/completion reports, inventories of unsold merchandise, disbursements, and receipts. All field trip related account documents were also missing. Therefore, we were unable to determine whether or not all funds generated from these activities had been remitted. We were advised that this documentation, maintained by the previous school administrative secretary, was either purged or could not be located in the school. We recommend that IAF records be retained and made available for audit, fundraising activities conform to *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*, and field trips be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Student Organization Trips*.

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 6). In our sample of disbursements, we noted instances in which 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.

All contracts for the purchase of equipment, supplies, or services procured with IAF must be signed by the principal or acting principal. In addition, the principal must obtain prior approval from the Systemwide Safety Programs for any contract involving liability/risk of injury that could place MCPS, the school, or any MCPS employee at risk for potential legal damages (refer to *MCPS Financial Manual*, chapter 20 pp. 5 and 8). We found no evidence that the school obtained approval for a dunk tank used during a fund-raiser. We recommend compliance with the above referenced requirements prior to committing your school to any contract involving liability/risk of injury.

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 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.

Summary of Recommendations

- IAF records must be retained and made available for audit.
- Fundraising activities must conform to *Guidelines for Sponsoring an IAF Fund-Raiser*.

- 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)**.
- 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 must be annotated as “paid” to indicate disbursement was made **(repeat)**.
- Contracts involving liability/risk of injury require additional approval.
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the school administrative secretary **(repeat)**.

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 learning, achievement, and administration, Office of School Support and Improvement. 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 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

Mr. Wilson

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2018-2019	Fiscal Year: 2018-2019
School: East Silver Spring ES - 756	Principal: Michael Burd
OSSI Associate Superintendent: Diane Morris	OSSI Director: Eric Wilson
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>5/1/18-8/31/18</u>, strategic improvements are required in the following business processes :</p> <p>IAF Account</p>	


Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Administrative secretary will put a review and signature flag as a reminder to sign a report, add a signature step to the guidelines cover sheet used to prepare for the visiting bookkeeper, file completed packets from bookkeeper	Amy Curry, Administrative Secretary	Binders, Filing Cabinet, signature flags	Principal reviews all reports and signs and returns to Administrative secretary to file	Principal and Administrative Secretary monthly	Signed and dated statements
All fund raisers will be preapproved using form created by administrative secretary. All fund-raisers will have their own sub account in the SFO accounting system. All materials and monies for the fundraiser will be listed under that sub account.	Amy Curry, Administrative Secretary, Sponsor, Michael Burd, Principal	Form	SFO Accounting System	Fundraising reviewed by Principal and Administrative Secretary for each fundraiser	Signed approval form for fundraiser and supporting documents
Sponsors will use MCPS Form 280-41 to provide complete class or club rosters and note how much each student has paid, include the date, and any waivers or scholarships for students. At the completion of the trip, sponsors will check to make sure that the trip account history report matches with the funds they have collected.	Amy Curry, Administrative Secretary, Sponsor, Michael Burd, Principal	Field Trip Folder on Google	MCPS Form 280-41 and any additional documents relevant to each trip	Trip planning reviewed by Principal and Administrative Secretary for each trip	Supporting documentation for each field trip and final balances verify that trip expense was appropriately calculated.
At the time that verbal approval is sought from the principal, Form 280-54 will be prepared and signed by both requesting staff and the principal. The principal will ensure detailed documentation/rationale of the purchase is attached to the request prior to signing. The invoices for the purchase will be signed and dated by the receiver.	Amy Curry, Administrative Secretary, Michael Burd, Principal	Invoices	MCPS Form 280-54 and any additional documents relevant to the purchase	Principal and Administrative Secretary for each purchase	Completed Form 280-54, with documentation of purchase, and receipt of purchase (stamped as "paid")

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
All individuals that have ordered goods and services will inventory the received goods and sign and date receipts or invoices to confirm receipt of goods before disbursement	Amy Curry, Administrative Secretary, Michael Burd, Principal	Receipts, Invoices	Completed MCPS form 280-54, itemized receipts to document purchase, and invoices signed by administrative secretary	Principal and Administrative Secretary for each order monthly	Notebook of purchases will be maintained with proper documentation
All supporting documentation 280-54 must be attached with reimbursement check. Once check has been signed, the administrative secretary will stamp original receipt "paid." Documents will be filed with disbursements for the month.	Amy Curry, Administrative Secretary, Michael Burd, Principal	Stamp, Checks, Receipts	MCPS Form 280-54 and any additional documents relevant to the reimbursement	Principal and Administrative Secretary for each reimbursement	Completed Form 280-54, with documentation of purchase, and receipt of purchase (stamped as "paid")
Principal will obtain prior approval from the Systemwide Safety Programs for any contract involving liability/risk of injury that could place MCPS, the school, or any MCPS employee at risk for potential legal damages.	Amy Curry, Administrative Secretary, Michael Burd, Principal	Contracts	Any documents relevant to and including the actual contract	Principal and Administrative Secretary for each contract	Approval form and signed contract
Cash collected by sponsors will be counted in front of the administrative secretary and documented using form 280-34. Administrative secretary will sign form as documentation of receipt and sponsors will make a copy of the signed form for their records.	Amy Curry, Administrative Secretary, Michael Burd, Principal	Receipts, Deposit Slips	MCPS Form 280-34 and any additional documents relevant to the remittance	Principal and Administrative Secretary for each remittance	Receipts of funds submitted and bank deposit statements

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

Approved Please revise and resubmit plan by _____

Comments:

Director:  Date: 11/12/18