


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

October 25, 2017

MEMORANDUM

To: Mrs. Lakeisha D. Lashley, Principal
Fairland Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2014, through August 31, 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. 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 October 18, 2017, meeting with you, Ms. Paula G. Summers, assistant principal; and Mrs. Sara R. Ovalles, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated September 19, 2014, 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

Internal control is a process of interconnected policies, regulations, procedures, attitudes, and actions of employees that work together to provide a system of checks and balances to achieve proper authorization of expenditures and safeguarding of assets. The principal is the individual who has the overall fiduciary responsibility for the IAF (refer to *MCPS Financial Manual*,

chapter 20, page 4). We noted an absence of controls over IAF operations resulting in untimely bank deposits, expenditures recorded in improper accounts, and poor maintenance of financial records. We recommend that you initiate a monitoring process to enforce IAF policies, regulations, and procedures in order to promote timely and accurate reporting of data.

All purchases must be approved in advance and in writing using MCPS Form 280-54, *Independent Activity Funds Request for a 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 (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. We also noted instances of receipts not annotated by purchasers to indicate that purchased goods or services were satisfactorily received. We recommend that the IAF purchases comply with the preceding 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. We found instances in which funds were held by sponsors rather than being remitted in a timely manner to the school administrative secretary 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 administrative secretary for prompt deposit (refer to *MCPS Financial Manual*, chapter 7, page 4).

Retail sales tax must be collected by the school and remitted to the Comptroller of Maryland on the sales of all taxable merchandise. Taxable merchandise includes yearbook, fund-raiser items, physical education clothing, and other items that become the personal property of the individual making the purchase (refer to *MCPS Financial Manual*, chapter 18, page 2). We found that sales tax was not collected and remitted for all taxable sales. We recommend that the school administrative secretary works with sponsors to apprise them of activities for which sales tax must be collected and remitted to the Comptroller of Maryland.

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.

MCPS Regulation DMB-RA, *Control of Admission Receipts*, sets forth procedures for the control of admission receipts for school events. The accounting for these events must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and a perpetual inventory of tickets (refer to *MCPS Financial Manual*, chapter 20, page 13). We noted that the ticket reports were not prepared for movie nights and plays. We recommend that procedures for the sale of tickets be reviewed with appropriate staff prior to events for compliance with MCPS Regulation DMB-RA.

Summary of Recommendations

- IAF's 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 (**repeat**).
- 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.
- Funds remitted by sponsors must be promptly verified, receipted, and deposited in the bank by the school administrative secretary (**repeat**).
- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.
- 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**).
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

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 Ms. Audra M. Fladung, director of school support and improvement of elementary schools. Based on the audit recommendations, Ms. Fladung 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

Ms. Fladung

Mr. Reilly

Mr. Tallur

Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

School: Fairland Elementary School

Principal: Lakeisha Lashley

Fiscal Year: 2017-2018

OSSI
Associate Superintendent: Laverne G. Kimball

OSSI
Director: Audra Fladung

Strategic Improvement Focus:

As noted in the financial audit for the period **September 1, 2014, through August 31, 2017**, strategic improvements are required in the following business processes: Purchase request approval, Receipt of goods and services, Field Trip Accounting, Funds collected by sponsors of school events, and Fundraising sales.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<p>Meet weekly with the Administrative Secretary to review the following:</p> <ul style="list-style-type: none"> • J.P. Morgan purchases • Purchase Requests • Contracts • Review all processes developed by the Administrative Secretary for staff regarding financials • Field Trip Records • School Events • Sponsors • Completion Reports for sponsored events • Review the actions steps of this action plan 	Administration	Forms Documents Schedule Calendar	Weekly Calendar/Notes from meeting and Action Items	Administration	Weekly Calendar Approved purchase requests
<p>Review the processes developed by the Administrative Secretary and share reminders with all staff about all processes relating to purchase request, sponsoring events, field trips, fundraising and all money collecting procedures.</p>	Administration	Written documents	Set Times and Dates for the meetings with Sponsors of school events Monthly Review with Administration	Administrative Secretary Administration Monthly	Written Documents outlining processes for all events

Purchase a safe that meets the standards for securing monies collected for school events.	Administration	Safe secured in main office Purchase receipts	Monthly meetings with Administration	Administrative Secretary	Receipts of monies deposited and secured correctly
Schedule meetings with staff members to explain the process and provide in writing information about the process for the following: <ul style="list-style-type: none"> • Purchase Requests/Receipts • Sponsoring School Events • Sponsoring Field Trips • Fundraising • Collecting Monies • Reconcile Events Collect evidence of the meetings and assure that all information is correct, clear and understood.	Administrative Secretary	Scheduled Dates Written Processes	Set Times and Dates for the meetings with Sponsors of school events Monthly Review with Administration	Administrative Secretary Administration Monthly	Written Documents outlining processes for all events

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Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Create a schedule for the Administrative Secretary to receive, collect and prepare deposits.	Administration	Written Schedule	Weekly Meeting Schedule with Administration and Administrative Secretary	Administration Weekly	Receipts and funds submitted and bank deposit statements
Purchase requests must be approved by the principal prior to procurement.	Principal Administrative Secretary	Form 280-54	Weekly Meeting Schedule with Administration and Administrative Secretary	Principal Administrative Secretary	Completed 280-54, with documentation of purchase, and receipts of purchase, signed by receiver.

Review/organize purchase requests within 24 hours for accuracy and follow-up with staff in writing to ensure they complete requests correctly.	Administrative Secretary	Form 280-54 Staff members	Organize system for request (i.e. monthly, by staff member)	Administrative Secretary, as needed	Completed 280-54, with documentation of purchase, and receipts of purchase, signed by receiver.
Verify, receive and process the paperwork for deposits on a daily basis.	Administrative Secretary	Weekly Schedule	Daily	Administrative Secretary	Receipts and funds submitted and bank deposit statements
Notify the staff member and administration in writing when goods and services are received, where they are stored, and when and where they will be disbursed, prior to disbursement.	Administrative Secretary	Receipts Inventory Emails	As needed, when receiving goods	Administrative Secretary	Receipts Inventory Emails
Monthly Account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary.	Administrative Secretary Staff	Form 280-41	Monthly	Administrative Secretary Sponsors	Signed and dated statements
Request a completion report from sponsors of events and field trips by setting a date and time that coincides with the end of each event. Organize and file the completion reports.	Administrative Secretary	Form 280-41 Filing System	As needed, end of event or field trip	Administrative Secretary	Completed Form 280-41 and any additional documents relevant to each trip or event
Provide a packet of required forms to staff members outlining what is required for them to complete for field trips, sponsoring events, and fundraisers. Put forms in a location that staff can access as needed (i.e. folder in T-shared)	Administrative Secretary	Folder Needed Documents	As needed, prior to a field trip or school event	Administrative Secretary	Complete Form 280-41 and any additional documents relevant to each trip or event

Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the administrative secretary and promptly deposited	Sponsors	Form 280-41	As needed	Administrative Secretary	Receipts and funds submitted and bank deposit statements
Notify Administration of completion of all events in writing.	Administrative Secretary	Form 280-41	As needed, end of event or field trip	Administrative Secretary	Emails Complete Form 280-41 and any additional documents relevant to each trip or event
Provide a monthly transaction statement for review and confirmation of receipts of funds for sponsored events (field trips, fundraisers, school events).	Administrative Secretary	Form 280-41	Monthly	Administrative Secretary	Receipts and funds submitted and bank deposit statements
Inquires requested by the Administrative Secretary from Office of the Chief Financial Officer and colleagues about financial responsibilities and processes will be requested in writing and filed for the future.	Administrative Secretary	File (electronic/paper)	As needed	Administrative Secretary	Emails Documents Received
Cross-train office staff in school finance and business processes. Attendance Secretary will be the back-up for identified areas.	Administration Administrative Secretary Attendance Secretary	Meetings Training Material	Ongoing November-June	Administration Administrative Secretary Attendance Secretary	Training Materials

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

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

Comments: _____

Director:  Date: 11/21/17