


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 24, 2020

MEMORANDUM

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

From: Mary J. Bergstresser, Acting Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2017, through December 31, 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 February 11, 2020, meeting with you; Dr. Donna R. Jones, director of learning, achievement, and administration, Office of School Support and Improvement; Mrs. Sara R. Ovalles, school administrative secretary, and Ms. Lynn Taylor-Miller, visiting bookkeeper, we reviewed the prior audit report dated October 25, 2017, 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, and procedures, as well as employees' attitudes and actions 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 the *MCPS Financial Manual*, chapter 20, page 4). In your action plan dated November 21, 2017, you indicated that sponsors would be provided monthly account history reports and you would meet on a regular basis with your school administrative secretary to review financial procedures. We noted an absence of controls over IAF operations resulting in principal not receiving the monthly bank statement unopened, untimely entry of ACH transactions in SchoolFunds Online (SFO) accounting software, pre-numbered receipts not being given to sponsors, and monthly account history reports not printed, distributed and returned, as well as poor maintenance of financial records. You must initiate a monitoring process to enforce IAF policies, regulations, and procedures in order to promote timely and accurate reporting of data.

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (refer to the *MCPS Financial Manual*, chapter 20, page 4). The purpose of each disbursement must be fully explained on this form in order to properly record expenditures in appropriate accounts, and to ensure that expenditures comply with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. A check may then be drawn, and it must bear two signatures, one of which is that of the principal or acting principal. The school administrative secretary will mark the documentation as "paid." In your action plan, you indicated that purchases would be pre-approved and invoices would be signed and dated to indicate the receipt of goods and services. In our sample of disbursements, prior approval was not consistently obtained and we found instances in which controls over purchases were insufficient. This included missing MCPS Form 280-54 with purchase receipts, documentation not annotated by recipient to indicate purchased goods or services were satisfactorily received, and checks that had two signatures but not the principal's signature, and no written delegation on file. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. MCPS Form 280-54 must be prepared by staff and signed and dated by the principal at the time approval is sought, and complete documentation must be attached to fully explain the reason for the purchase. All checks must bear two signatures, one of which is that of the principal, unless the principal delegates in writing the authority to sign checks in the principal's absence. When goods are received at the school, the purchase must be verified as complete by the recipient and the invoice/packing slip must be marked "received" and signed/dated by the recipient. Requiring invoices to be marked "received" insures that goods or services have been satisfactorily received prior to payment.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card User's Guide*. By the fifth business day of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements, or the statement of account landscape report, 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. We found that cardholders had not promptly prepared their monthly statements, provided description of items purchased, indicated IAF account number when required, attached their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the principal had not approved all transactions online.

We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities must be remitted promptly to the school administrative secretary along with a remittance slip. Cash should be counted in the presence of the remitter, and a receipt that is supported by the remittance slip must be issued promptly. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (refer to the *MCPS Financial Manual*, chapter 7, pp. 4-5). Any misprinted receipts should be entered into the accounting system, and all parts of any voided receipt forms should be defaced and retained. We found that the school administrative secretary was not issuing receipts, remittance slips did not always match the receipts, the originals of some voided receipts were missing, and voided receipts were not always recorded in the financial records. In your action plan, you indicated that sponsors would remit funds on a daily basis to the school administrative secretary, and she would make prompt deposits, including on the last working day of the month and before each weekend or holiday. We found that some sponsors were holding funds collected rather than remitting them on a daily basis to the school administrative secretary, and in addition to not always receiving the funds on time, the school administrative secretary was not always making timely deposits. School staff must submit cash and checks collected for IAF activities to the school administrative secretary for prompt deposit in accordance with MCPS policy and procedures. To minimize the risk of loss, all funds collected should be remitted daily and deposited to the bank promptly. Staff also should monitor their remittances to the school administrative secretary to ensure they receive a receipt in a timely manner.

Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise. Taxable merchandise includes yearbook, school store, fundraiser items, school spirit wear clothing, and other items that become the personal property of the individual making the purchase (refer to the *MCPS Financial Manual*, Chapter 18, page 2). We noted incidents in which sales tax was not properly calculated and remitted to the State of Maryland. We recommend that the school complete a Combined Registration (CR) Application to register for a CR number with the state Comptroller to work toward full compliance for the collection and remittance of sales tax. The application can be completed online at <https://interactive.marylandtaxes.com/webapps/comptrollercra/entrance.asp>.

Fund-raising at the school must be conducted in accordance with MCPS Regulation CND-RA, *School-Related Fund-Raising*. We found that there was a lack of adherence to these guidelines. We found that not all sponsors were preparing fundraiser request forms to obtain your approval prior to the start of an activity. We also noted that sponsors were not submitting a completion report when the fundraiser was finalized. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. Each fund-raiser must be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund-raising activity should be recorded in a separate account in the 7000 series and a completion report prepared that analyzes the results (refer to the *MCPS Financial Manual*, chapter 20, page 13).

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Student Organization Trips*. Sponsors of field trips must have a complete class or club roster of student names and annotate how much each student paid, date paid, students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data must be remitted to the school administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report. In your action plan, you indicated that sponsors would complete MCPS Form 280-41, Field Trip Accounting, or equivalent, to document and maintain proper accounting of field trips. We found that not all sponsors are providing completed data at the conclusion of each trip, and that data is not being reconciled by the school administrative secretary to the final account history report. Trip sponsors must use MCPS Form 280-41, or equivalent, and provide complete data at the conclusion of each trip. This data must be reconciled by the school administrative secretary with remittances recorded in activity accounts (refer to the MCPS *Financial Manual*, chapter 20, page 10).

Notice of Findings and Recommendations

- IAF must be managed in accordance with sound accounting practices and effective internal control procedures (**repeat**).
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary for filing (**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 documentation must be adequate to support disbursements.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*.
- Cash and checks (funds) collected by sponsors must be promptly remitted to the school administrative secretary (**repeat**).
- Cash and checks (funds) remitted by sponsors must be promptly receipted and deposited in the bank by the school administrative secretary in accordance with Chapter 7 of the *MCPS Financial Manual* (**repeat**).
- Tax must be collected on taxable sales and remitted to Comptroller of Maryland (**repeat**).
- Fund-raising must be conducted in accordance with MCPS Regulation CND-RA, *School-Related Fund-Raising*.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and the school administrative secretary must reconcile funds collected with account history report (**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 Dr. Donna R. Jones, director of learning, achievement, and administration, Office of School Support and Improvement. Based on

the audit recommendations, Dr. Jones 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.

MJB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Navarro

Dr. Wilson

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Dyson

Mrs. Camp

Mrs. Chen

Dr. Jones

Mr. Marella

Mr. Reilly

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: February 24, 2020

Fiscal Year: February 24, 2020

School: Fairland ES - 303

Principal: Lakeisha Lashley

OSSI

Associate Superintendent: Cheryl Dyson

OSSI

Director: Donna Redmond Jones

Strategic Improvement Focus:

As noted in the financial audit for the period 9/2017-12/2019, 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.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Meet weekly with the Administrative Secretary to review the following: Requests for Purchase, Contracts --Field trip requests, fundraiser requests, school calendar requests, fundraiser completion reports	Lakeisha Lashley, Principal	Forms Documents Schedule Calendar	Weekly Calendar/Notes from meeting and Action Items	Administrative Weekly	Written Documents outlining processes for all events Administration Weekly Calendar Approved purchase request
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.	Lakeisha Lashley, Principal	Written Documents	Set times and dates for the meetings with sponsors of school events	Administrative Secretary Administration Monthly	Written Documents (notes) outlining processes for all events
Schedule meetings with staff members to explain the process and provide in writing information about the process for the following: • Purchase Requests/Receipts, Fundraising • Sponsoring School Events, Money Collection • Sponsoring Field Trips, Reconcile Events	Lakeisha Lashley, Principal	Written Schedule	Weekly Calendar/Notes from meeting and action items	Ms. Lashley - pre-service week; Admin secretary- as needed to help staff members	Written Documents (notes) outlining processes for all events
Administrative Secretary will collect money daily and make daily bank deposits. All paperwork will be organized and filed appropriately.	Administrative secretary	Deposit slips	Weekly Meeting Schedule with Administration and Administrative Secretary	Ms. Lashley, Principal	Receipts and funds submitted and bank deposit statements.

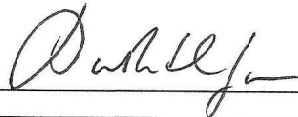
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchase requests must be approved by the principal prior to procurement.	Principal, Administrative Secretary	Form 280-54	Weekly Meeting Schedule with principal and Administrative 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	Organize system for requests (weekly and monthly)	Administrative Secretary, as needed	Completed 280-54, with documentation of purchase, and receipts of purchase, signed by receiver.
Notify staff members 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. Ensure invoices are signed, indicating items were received. Ensure MCPS inventory labels/forms are used to track equipment	Administrative Secretary	Receipts, Inventory, Emails	As needed, when receiving goods	Principal	Receipts, Inventory, Emails
Principal and school administrative secretary to attend Part 1 and Part 2 of School Finance Training	Principal, Administrative Secretary	PDO	PDO transcript	Principal, as needed per MCPS school finance guidelines	School financial processes and documentation in compliance with MCPS protocols

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

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

Comments:

Director: _____




Date: 4/3/20

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: February 24, 2020	Fiscal Year: February 24, 2020
School: Fairland ES - 303	Principal: Lakeisha Lashley
OSSI Associate Superintendent: Cheryl Dyson	OSSI Director: Donna Redmond Jones
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>9/2017-12/2019</u>, 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.</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Administrative secretary will provide monthly account history reports to sponsors. Sponsors will verify the accuracy of all listed transactions, sign the account history and return it to the administrative secretary. The administrative secretary will file the signed copies.	Administrative Secretary All account holders on staff (sponsors, etc.)	Form 280-41	Monthly	Principal, monthly	Signed and Dated statements
Request a completion report from sponsors of fundraisers 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	Principal, weekly	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. google folder)	Administrative Secretary	Folder Needed Documents	As needed, end of event or field trip	Principal, no later than pre-service week each school year	Completed 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, daily	Receipts and funds submitted and bank deposit statements

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Share fundraiser completion forms with principal at weekly meetings.	Administrative Secretary	Form 280-41	As needed	Principal, weekly	Fundraiser completion forms
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	Principal, monthly	Receipts and funds submitted and bank deposit statements.
Administrative secretary will maintain written documentation of inquiries made to the Office of the Chief Financial Officer and colleagues about financial responsibilities and processes. The administrative secretary will maintain written records of responses received. All documentation will be filed.	Administrative Secretary	File (electronic/paper)	As needed	Principal	Emails Documents Recieved and filed
Train office staff in school finance and business processes. Attendance Secretary will be the back-up for identified areas.	Principal Administrative Secretary Attendance Secretary	Meetings Training Materials Visiting Bookkeeper	Ongoing (March-June)	Principal, August of each school year	Training Materials

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments:	
Director: <u></u>	Date: <u>4/3/20</u>