


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 5, 2019

MEMORANDUM

To: Mrs. Meredith M. McNerney, Principal
Gaithersburg Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2016, through August 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 October 21, 2019, meeting with you and Mrs. Tia (Marie) M. Pineda, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated August 22, 2016, 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

In your Fiscal Management Action Plan dated October 2016, you indicated that all checks will be fully completed before they are signed and released. All checks must be completed with date, payee, and amount prior to any signature. No checks can be signed in advance of these completed items (refer to *MCPS Financial Manual*, chapter 20, page 6).

During our audit we found that you had several checks that had been handwritten and signed without complete information shown. The school must use the purchasing card, or be invoiced directly from the vendor, for those instances in which the amount of a purchase is not known in advance.

Disbursements made by ACH drawn on the school's IAF bank account, regardless of the documentation that approved the procurement of goods and services, are required to be approved by the principal using MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, with a summary spreadsheet detailing the IAF account(s) to be charged, prior to expenditure of funds (refer to *MCPS Financial Manual*, chapter 20, page 6). We found that the IAF disbursements for MCPS i-receivable invoices have not been reviewed and authorized for payment by the principal on MCPS Form 280-54. You must adhere to the MCPS requirements for these disbursements.

Sponsors of field trips must have a complete class 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. We were unable to locate any final field trip accounting forms from sponsors, and saw no evidence that the trips were being reconciled by the school administrative secretary. We recommend that trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its 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 *MCPS Financial Manual*, chapter 20, page 10).

Contracts, such as those for yearbooks and student pictures, may include a provision for the payment of a commission and/or bonus. If a contract has this provision, school staff must understand how the commission or bonus is calculated and confirm that the school receives full payment under the contract terms when due. As of September 2019, you had not received the May commission for class group photos for the 2018-2019 school year in the amount of \$892.80. The vendor was contacted and will be sending the school a check for the commission due.

Notice of Findings and Recommendations

- Checks will not be signed or released by the principal until fully completed (**repeat**).
- Check disbursements must be documented using MCPS Form 280-54.
- 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.
- Contracts should be monitored to ensure all commissions are received.

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. Adrienne L. Morrow, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Morrow 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:GWB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mr. Koutsos

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Reilly

Mr. Tallur

Dr. Morrow

Mr. Marella

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 11/05/2019	Fiscal Year: 11/05/2019
School: Gaithersburg ES - 553	Principal: Meredith McNerney
OSSI Associate Superintendent: James Kustos	OSSI Director: Dr. Adrienne Morrow
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>7/1/16 - 8/31/19</u>, strategic improvements are required in the following business processes :</p> <p>IAF Check writing, Recording and Documentation of ACH payments, Field Trip Accounting & Reconciliation, Tracking and Reconciling Commission Checks from Vendors</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Admin Secretary will complete all necessary information on check and secure support documents. Checks will not be signed in advance of completion and will be recorded and printed through SFO prior to signatures.	Administrative Secretary	Form 280-54 and supporting documents in advance of check writing	Observation and periodic checks	Principal Monthly	
Form 280-54 will be completed and supporting documentation attached for all ACH payments made from IAF.	Administrative Secretary	Form 280-54 and supporting documentation	Observation and periodic checks	Principal Monthly	
Field trip sponsors along with admin secretary will account for and reconcile field trip funds.	Field Trip Sponsors and Administrative Secretary	Field Trip documents and receipts	Periodic checks of field trip reconciliation forms	Admin Secretary and Principal Quarterly	
Contracts and commissions will be monitored to ensure all commissions are received.	Administrative Secretary	Contracts and supporting documents from vendors	Observation and periodic checks	Admin Secretary and Principal Quarterly	

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

Approved Please revise and resubmit plan by _____

Comments:

Director: Adrienne L. Morrow Date: 12/2/19