


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

October 25, 2017

MEMORANDUM

To: Mrs. Kimberly B. Bosnic, Principal
William B. Gibbs, Jr. Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
August 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 and are charged with determining the manner in which funds are raised and expended for activities such as field trips, admission events, and fund-raisers. 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 10, 2017, meeting with you, Mrs. Megan H. Murphy, assistant principal, and Mrs. Denice J. Etheridge, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated September 15, 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

Aggregate school expenditures of general funds for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per full-time equivalent (FTE) per fiscal year without the prior written authorization from the chief operating officer (COO) (refer to *MCPS Financial Manual*, chapter 20, page 5). These expenditures must be appropriately recorded

in accordance with the IAF chart of accounts. We found that you exceeded the total amount allowed in FY 2017, without approval of the COO. We also found instances in which expenditures for these items were incorrectly classified and recorded in various accounts. Such commingling increases the time required to determine whether or not guidelines have been followed and decreases the value of your financial reports for decision making. We recommend that you adhere to the MCPS requirements as well as correctly classify and record these transactions for more accurate accountability.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, to the school administrative secretary on the day the funds are received. The school administrative secretary should count the funds received in the presence of the remitter, issue a receipt, restrictively endorse any checks "for deposit only," and promptly deposit the funds in the school's bank account. Funds not promptly remitted and deposited become susceptible to loss or theft, and are not available to disburse from the school's checking account to pay for school requirements. We found instances in which staff collecting funds for field trips and fundraisers were holding rather than remitting them promptly to the school administrative secretary. We recommend that all staff who collect cash and checks for school activities be reminded to remit these funds promptly to the school administrative secretary for prompt deposit in the bank (refer to *MCPS Financial Manual*, chapter 7, page 4).

Review of field trip activities revealed that not all field trip sponsors are providing completed financial information to the school administrative secretary at the completion of a trip. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and submit the data to the school administrative secretary when a trip is completed (refer to *MCPS Financial Manual*, Chapter 20, page 10). We recommend all sponsors be required to use MCPS Form 280-41, or equivalent to record the names of participants and sums collected to strengthen internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account.

Summary of Recommendations

- Total combined expenditures for staff appreciation and meeting refreshments may not exceed \$60 per FTE per fiscal year without prior approval of the COO.
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to 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 using MCPS Form 280-41 (**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. Gregory S. Edmundson, director of school support and improvement of elementary schools. Based on the audit recommendations, Mr. Edmundson 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:GWB: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. Edmundson

Mr. Reilly

Mr. Tallur


Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

School: William B. Gibbs, Jr. ES - 337	Principal: Kim Bosnic	Fiscal Year: 2017
OSSI Associate Superintendent: Dr. Kimball	OSSI Director: Mr. Edmundson	
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>9/15/14-10/10/17</u>, strategic improvements are required in the following business processes : Total combined expenditures for staff appreciation and meeting refreshments may not exceed \$60 per FTE per fiscal year without prior approval of the COO. Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the school administrative secretary. 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 using MCPS Form 280-41.</p>		

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
We will monitor more closely our expenditures for staff appreciation and staff meeting snacks.	Kim Bosnic, Principal	Detailed item analysis of expenditures, with total amounts of disbursement.	Ongoing list of expenditures with balances for disbursements and funds remaining.	Kim Bosnic, Principal Denice Etheridge, Admin. Secr.; quarterly meetings	School account reports that demonstrate we are within the \$60 per FTE per fiscal year.
We will ensure that sponsors are promptly remitting Form 280-34 to Ms. Etheridge. We will ensure the funds collected are counted in front of the sponsor and he/she will receive the receipt. Checks will be marked with "deposit only" and promptly deposited. We will continue to review this process with our school staff sponsors.	Kim Bosnic, Principal Denice Etheridge, Admin Secr. Staff Sponsors	Form 280-34; bank deposit slips and records	School reports, sponsor forms, Forms 280-34 submitted, information sheet for school staff and share out at staff meetings	Kim Bosnic, Principal Denice Etheridge, Admin. Secr. to be reviewed monthly, quarterly w/staff	School reports , sponsor forms, and submitted Forms 38-34.
We will ensure that field trip sponsors are completing the financial information to Ms. Etheridge at the completion of the trips. Cost and fee information will be recorded on Form 280-41 by the sponsor for each field trip. We will continue to review this process with our school staff sponsors.	Kim Bosnic, Principal Denice Etheridge, Admin Secr Staff Sponsors	Form 280-41, recording of participants and fees collected	School reports, Forms 280-41 completed accurately, information sheet for school staff and share out at staff meetings	Kim Bosnic, Principal Denice Etheridge, Admin. Secr. to be reviewed monthly, quarterly w/staff	School reports, completed Forms 280-41

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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: 	Date: <u>10-31-17</u>