


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

December 29, 2015

MEMORANDUM

To: Mr. Peter O. Moran, Principal
Glenallan Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2012, through November 30, 2015

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 IAFs are administered in accordance with MCPS policies, regulations, and procedures.

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 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.

In our meeting on December 18, 2015 with you, and Mrs. Jennifer Hirst, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated July 24, 2012, 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

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account history report for each month in which transactions have been recorded in their account. We found this essential internal control procedure was not being used. We recommend sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the statements should be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all statements are reviewed and returned (see MCPS Financial Manual, p. 20-9).

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with MCPS Form 280-34, *Remittance Slip*, to the administrative secretary on the day the funds are received. We found that these forms were either not prepared for each remittance, or were not filed with corresponding receipts as required. We were therefore unable to ascertain that cash handling requirements were met. We recommend that all staff who collect funds for school activities be reminded of remittance requirements and that filing of supporting documentation comply with requirements (see MCPS Financial Manual p. 7-4). To reduce the workload of cash handling requirements for sponsors and administrative secretary, we further recommend using Online School Payments (OSP).

Disbursement of IAF must be controlled in a number of ways. All purchases must be approved in advance and in writing using MCPS Form 280-54, *Request for a Purchase*. After the purchase is completed, the purchaser should submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the administrative secretary. A check may then be drawn and it must bear two signatures, one of which is that of the principal or acting principal. We found numerous instances in which controls over purchases were weakened including documentation missing or not adequate to assure the school benefited from the purchase, MCPS Form 280-54 not on file, documentation supporting purchases not stamped or marked "Paid," and documentation not annotated by recipient to indicate purchased goods or services were satisfactorily received. Action is needed to correct these conditions and bring purchasing into conformity with MCPS requirements (see MCPS Financial Manual, p. 20-4).

Summary of Recommendations

- Sponsors of school activities must be required to review their account reports and certify their accuracy;
- A remittance slip must accompany every receipt and filed in accordance with Chapter 7 of the MCPS Financial Manual;
- Cash handling by sponsors and administrative secretary can be reduced using OSP; and
- Controls over disbursement must be improved in a number of ways to satisfy the requirements in Chapter 20 of the MCPS Financial Manual.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, please provide a response to the Internal Audit office within 30 days of this report, with a copy to Mr. Michael Bayewitz, director of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:LS:sd

Dr. Zuckerman
Dr. Statham
Dr. Navarro
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Mr. Bayewitz
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GLENALLAN ELEMENTARY SCHOOL

12520 Heurich Road
Silver Spring, MD 20904

To: Mr. Roger Pisha, Supervisor, Internal Audit Unit

From: Peter Moran, Principal, Glenallan Elementary School

Subject: Response to Audit of Independent Activity Funds
November, 2012 through May 30, 2015

The audit process presented very helpful and constructive feedback that Glenallan will be using to refine procedures to ensure the most effective financial management processes. After reviewing the findings and recommendations of Mr. Scollick, we have implemented the following processes to continue to strengthen our financial management.

Sponsors of School Activities/Field Trips

All sponsors of school activities will be provided with a monthly account history report and be required to verify all transactions affecting the account have been correctly recorded. These statements will be reviewed, signed and returned to the administrative secretary to attest to their accuracy.

Records for field trips will represent a collection of more comprehensive data. This comprehensive data will consistently reflect the amount student has paid, date of payment, and any waivers or scholarships for students. To ensure consistent communication and monitoring of payments of trip fees, Glenallan will be using the excel spreadsheet developed by the Internal Audit Unit. This will be utilized to streamline the process of compiling the financial data needed to comply with MCPS financial manual requirements. Staff will be trained on employing this process at our February 2016 School Leadership Council meeting.

Remittance Slip

All staff members who collect funds will be required remitted on the same day utilizing MCPS form 280-34. Funds collected will be counted in front of the receiver and a receipt will be issued at that time by the administrative secretary. The Online School Payments (OSP) system will be utilized to reduce the workload of handling cash. Remittance requirements and filing of supporting documentation were reviewed via memorandum on January 12, 2016.

Purchase Requests

Staff members will consistently provide detailed documentation/rationale for purchasing attached to form 280-54, *Request for Purchase*. The principal will regularly ensure sufficient documentation is attached to request. Additionally, documentation supporting purchases will be marked paid to indicate purchased goods or services were satisfactorily received.

Finally, we would like to thank Mr. Scollick for his professionalism and attention he provided as he walked us through the review of the audit. The audit was a valuable professional development opportunity for myself and Glenallan's administrative secretary, Mrs. Jennifer Hirst.