

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

August 10, 2018

MEMORANDUM

To: Mrs. Ann Hefflin, Principal
Glenallan Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2015, through June 30, 2018

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 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 August 2, 2018, meeting with you and Mrs. Jennifer L. Hirst, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated December 29, 2015, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2018. 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

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, bank reconciliation reports and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date (refer to *MCPS*

Financial Manual, chapter 20, page 9). We could find no indication that these important reviews were completed consistently during our audit period. We recommend you initiate a process that insures this important internal control process occurs monthly.

Sponsors of school activities which involve the collection or disbursement of the IAF should be provided an account history report for each month in which transactions have been recorded in their account, or the account has a balance (refer to *MCPS Financial Manual*, chapter 20, page 11). We found this essential internal control procedure was not being used. We recommend that sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been recorded correctly. 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.

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 *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 the 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 our sample of disbursements, we found instances in which controls over purchases did not include documentation or documentation was not adequate to assure the school benefited from the purchase, MCPS Form 280-54 not signed by the principal, documentation supporting purchases not stamped or marked "paid," and documentation not annotated by recipient to indicate purchased goods or services were satisfactorily received. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAFs. We recommend that MCPS Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought and that complete documentation be attached to fully explain the reason for the purchase.

In order to properly control receipts, cash, and checks collected by sponsors for the IAF activities should be remitted promptly to the school administrative secretary together with MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*. Cash should be counted in the presence of the remitter and a receipt that is supported by MCPS Form 280-34 should be issued promptly (refer to *MCPS Financial Manual*, chapter 7, page 4). We found instances in which there was a delay in issuance of receipts, and MCPS Form 280-34 not correctly prepared. Receipts should be attached to the corresponding remittance slips and attached to the deposit analysis form. We also found that some sponsors were holding funds collected rather than remitting them to the school administrative secretary on a daily basis. To improve controls, we recommend adoption of the procedures stated above.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. Each fund-raiser should be approved by the principal in writing and the approval retained in the school office together with a completion report that analyzes the results (refer to *MCPS Financial Manual*, chapter 20, page 13). We found that completion reports were

not prepared by sponsors at the conclusion of the activities. We recommend that fund-raising sponsors be required to prepare completion reports at the conclusion of the activities in order to evaluate the results.

Field 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). The record of the names of participants and funds collected, submitted by the sponsor, strengthens internal controls by enabling the reconciliation of these funds to the amounts recorded in the field trip account. Our review of field trip activities revealed that field trip sponsors are not providing completed financial information to the school administrative secretary at the completion of a trip. We recommend all sponsors be required to use MCPS Form 280-41 or equivalent and follow the procedures outlined above.

Admission receipts for school events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. 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 perpetual inventory of tickets. We found that these procedures were not being followed. We recommend compliance with the procedures outlined above.

Summary of Recommendations

- Monthly IAF reports should be provided to the principal for timely review, and evidenced by signature and date.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the school administrative secretary (**repeat**).
- Disbursements must be pre-approved in writing by the principal and properly documented (**repeat**).
- Fund collected by sponsors must be promptly remitted with signed MCPS Form 280-34 to the school administrative secretary (**repeat**).
- Funds remitted by sponsors must be promptly verified and receipted by the school administrative secretary.
- Completion reports must be prepared for each approved fund-raising activity.
- 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.
- All admission events must be controlled by pre-numbered tickets which are reconciled at the completion of the event.

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. Sarah E. Sirgo, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Sirgo 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 financial agent to support you with developing a well-defined plan to address the findings.

RWP:LS:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Dyson

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Reilly

Dr. Sirgo

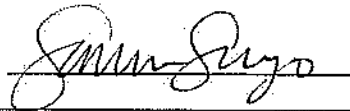
Mr. Tallur

Mr. Ikheloa

Fiscal Management Action Plan

School: Glenallan Elementary School

Approved by Director of Learning, Achievement, and Administration:



Principal: Ann Hefflin

Date of approval: 9/6/18

Findings and Recommendations of School's Financial Report	Description of Resolution School Support and Improvement And Person(s) Responsible	Timeline	Evidence of Completion
<p>Monthly IAF reports should be provided to the principal for timely review, and evidenced by signature and date</p>	<p>Upon the end of monthly meetings between the administrative secretary and bookkeeper, the principal will consistently meet with them both to review, discuss, and sign/date the reports to reflect a timely review</p> <p>Person(s) Responsible: Bookkeeper, administrative secretary, principal</p>	<p>Monthly – In practice since August, 2018.</p>	<p>Signed reports reflecting dates of monthly meetings</p>
<p>Monthly Sponsor Reports Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary.</p>	<p>The administrative secretary will provide sponsors with a monthly statement of their accounts and they will verify the transactions, and that they are accurate. The administrative secretary will send an email to sponsors requesting their signature on the statement. After resolution of any discrepancies, the statements will be signed and dated by the sponsors and kept on file. The administrative secretary will organize monthly statements in a binder that will be stored on the shelf adjacent to her desk.</p> <p>Monthly review of sponsor reports by principal.</p> <p>Person(s) Responsible: Bookkeeper, administrative secretary and account sponsors.</p>	<p>Once per month. In practice effective Sept. 1, 2018.</p>	<p>Signed and dated statements</p>
<p>Purchase Request Approval Purchase requests must be approved by the principal prior to procurement.</p>	<p>At the time that verbal approval is sought from the principal, Form 280-54 will be prepared and signed by both requesting staff and the principal. The principal will ensure detailed documentation/rationale of the purchase is attached to the request prior to signing. The invoices for the purchase will be signed and dated by the receiver.</p> <p>Staff members who do not secure advance approval, will not receive reimbursement for purchases.</p> <p>Person(s) Responsible: Administrative secretary, principal, staff requesting purchase</p>	<p>Ongoing</p> <p>Updated procedure previewed with all staff during pre-service, 2018.</p> <p>Effective since July 1, 2018</p>	<p>Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver.</p>
<p>Documenting Reimbursements Invoices and receipts must be annotated as paid to indicate disbursement was made</p>	<p>All supporting documentation 280-54 must be attached with reimbursement check. Once check has been signed, the administrative secretary will stamp original receipt "paid." Documents will be filed with disbursements for the month.</p>	<p>As needed</p> <p>Procedure will be adhered to consistently, starting in</p>	<p>Completed Form 280-54, with documentation of purchase, and receipt of purchase (stamped as "paid")</p>

	Person Responsible: Administrative secretary	August, 2018.	
Funds for Sponsored Activities Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the administrative secretary and promptly deposited.	Cash collected by sponsors will be counted in front of the administrative secretary and documented using form 280-34. Administrative secretary will sign form as documentation of receipt and sponsors will make a copy of the signed form for their records. Cash will be submitted by sponsors on a daily basis. Administrative secretary will make daily deposits. Person Responsible: Administrative secretary, sponsors	Daily sponsor submission of funds Immediate receipt of funds (signature and signed copy of form) Deposits daily as needed.	Receipts of funds submitted and bank deposit statements.
Field Trip Planning and Funds 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 trip.	Sponsors will use MCPS Form 280-41 to provide complete class or club rosters and note how much each student has paid, include the date, and any waivers or scholarships for students. At the completion of the trip, sponsors will check to make sure that the trip account history report matches with the funds they have collected. Sponsors will plan carefully to ensure that they do not overcharge or undercharge for a trip for students. Sponsors to record trip fees and provide complete data at the end of each trip. Trip planning will be reviewed by the administrative secretary and the principal to ensure that fees are appropriate. The administrative secretary will keep all supporting documentation for each field trip together. There will be a transition to Online School Payment system. A plan is being developed for implementation. Person(s) Responsible: Administrative secretary, Teachers, sponsors, principal	During the planning, approval process, collection of funds, and completion of every field trip.	Completed Form 280-41 and any additional documents relevant to each trip. Final balances verify that trip expense was appropriately calculated.
Fundraising Activities Fund-raising must conform to Guidelines for Sponsoring an IAF Fund Raiser	All fund raisers will be preapproved using form created by administrative secretary. All fund-raisers will have their own sub account in the SFO accounting system. All materials and monies for the fundraiser will be listed under that sub account. All materials for fundraisers will be purchased following MCPS policies and will be approved by the principal. Completion reports will be prepared for each approved fund-raising activity. Person(s) Responsible: Administrative secretary, sponsor, principal	Upon the planning and execution of every fundraiser. Upon completion of every fundraiser.	Signed approval form for fundraiser and supporting documents

Admission Events Admission events must be conducted in accordance with MCPS Regulation DMB-RA	We are no longer going to have admission events. Person (s) Responsible: Administrative secretary, sponsors	As needed	All required forms are verified and accounts balance.
Spending for staff appreciation Spending not always recorded in proper accounts to enable monitoring to assure established limits are not exceeded	Money in SFO will be transferred accordingly into staff appreciation accounts. Spending for staff appreciation will only be drawn from approved accounts. Person(s) responsible: administrative secretary & principal	As needed	Monthly IAF reports
Personal online purchases - Amazon Some sponsors were ordering from Amazon and/or other retailers and having items delivered to their home. All school purchases should be delivered and receipted to the school.	Amazon orders by staff members will be addressed, delivered, and receipted to the school. All planned purchases using Amazon will be pre-approved prior to ordering. Person(s) responsible: all staff members	Ongoing	Amazon receipts indicating purchases addressed and delivered to the school. JP Morgan activity.
Security of Undeposited Funds Undeposited funds are not adequately secured. Recommend acquisition and installation of a safe or other secure holding place.	Funds collected by the administrative secretary will be deposited daily into the bank. Any additional funds will be secured in a safe, locked, in the main office. Persons responsible: administrative secretary & principal	As needed	
School Pictures A current signed contract, outlining the terms and conditions pertaining to school pictures, services, and payments, should be obtained each year.	Contracts will be reviewed and signed yearly. Person responsible: principal	Yearly, each spring	Copy of signed contract

Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.