


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

October 22, 2014

MEMORANDUM

To: Dr. Jane Q. Ennis, Principal  
Glen Haven Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
January 1, 2013, through August 31, 2014

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.

As you directed, we met on October 16, 2014, with Ms. Olivia Bailey, assistant principal, and Mrs. Angie Hafer, administrative secretary. We reviewed conditions described in our previous report dated February 22, 2013, and the status of present conditions. Some of the conditions reported below were identified in the previous audit while others were revealed during our current audit. We note, however, that your appointment as principal was effective July 7, 2014, and that of Mrs. Hafer was effective January 2, 2014. Therefore, all of the findings reported below were based upon records compiled by, and processes established by your predecessors.

Findings and Recommendations

While the process for obtaining principal approval for purchase appears improved, we found other weaknesses in controls over purchases. The purpose of each disbursement must be fully explained on MCPS Form 280-54 in order to properly record expenditures in appropriate accounts and ensure that expenditures comply with IAF requirements. In addition, receipts supporting disbursements

must be adequate and must be marked by the recipient to indicate satisfactory receipt of goods or services. Receipts must be marked or stamped "paid" (see MCPS Financial Manual, p. 20-5).

Sponsors of field trips should have a complete class or club roster of student names and annotate how much each student paid, students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be submitted to the administrative secretary at the completion of each trip and compared to remittances recorded in the trip account history report. The data should also be used to plan future trips. We again found not all sponsors are submitting completed data at the conclusion of each trip, and that data is not being compared to the final account reconciliation report nor used for planning future trips. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, for recording of trip fees and provide complete data at a completion of each trip. We further recommend trip planning be reviewed to ensure established fees are commensurate with trip expenses (see MCPS Financial Manual, p. 20-9).

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. We found a lack of adherence to these guidelines. 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 should 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 800 series and a completion report prepared that analyzes the results (see MCPS Financial Manual, p. 20-11).

MCPS Regulation DMB-RA, *Control of Admission Receipts*, provides procedures for the accounting for sales of admission tickets. We reviewed records of some events in which the established control process was not followed thus effectively eliminating required controls. We recommend that admission to all events be controlled in accordance with the above cited regulation.

The MCPS Financial Manual, p. 20-10, provides guidance on IAF account structure and utilization. The IAF chart of accounts is standardized for consistency in reporting. We found instances of nonconformity, and noted that sometimes transactions were not classified properly in appropriate accounts. For example, expenses and receipts for school plays, field trips and T-shirt sales were sometimes recorded in the general drama account rather than in an account established to enable monitoring of these various activities. Such commingling renders it difficult to evaluate the results of activities, and may allow a loss to go undetected. We recommend that the school's accounts be brought into compliance with the latest chart of accounts.

In order to properly control receipts, they should be remitted promptly to the administrative secretary, counted in the presence of the remitter and a receipt issued. Checks should be restrictively endorsed immediately upon receipt. We found instances in which there was a delay in remitting of funds, issuance of receipts and deposit of funds. We also found instances in which funds were deposited but no remittance, receipt or other documentation was present to indicate the source or prescribed use of the funds. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual, pp. 7-3, 7-4.

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement which includes copies of checks paid, bank reconciliation report and ledger reports in

a timely manner. Review of these important reports must be evidenced by the principal's signature and date. We could find no indication that these important reviews were completed consistently during our audit period. We recommend you initiate a process that ensures this important internal control process occurs monthly (see MCPS Financial Manual, p. 20-8).

#### Summary of Recommendations

- Controls over disbursements must be improved (repeat);
- Field trip records must include complete roster of all eligible participants and final accounting for all fees collected (repeat);
- Fund-raising must conform to *Guidelines for Sponsoring and Independent Activity Fund Fund-Raiser* (repeat);
- Admission receipts must be controlled in accordance with MCPS Regulation DMB-RA, (repeat);
- The standard account structure should be utilized and all transactions recorded in correct accounts;
- Funds remitted by sponsors must be promptly verified and receipted, prior to being deposited in the bank by the administrative secretary; and
- A process should be implemented that assures timely review of the bank statement and monthly reports.

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 Ms. Bronda L. Mills, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:LS:sd

#### Copy to:

Mr. Bowers	Ms. Mills
Dr. Navarro	Mrs. DeGraba
Dr. Statham	Mrs. Milwit
Mr. Sanderson	Mrs. Chen

**Fiscal Management Action Plan**

School: **Glen Haven ES**

Principal: **Dr. Jane Q. Ennis**

Approved by community superintendent: \_\_\_\_\_

Date of approval: \_\_\_\_\_

**\*\*\*For the Record: Audit findings below represented Glen Haven's previous administration. The new principal, Jane Ennis, was hired on July 7, 2014.**

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>1. Controls over disbursements</p>	<ul style="list-style-type: none"> <li>• Teachers have been provided an example with instructions on how to complete form MCPS form 280-54 by Admin. Secretary, during Pre-service Week, Aug. 2014. (by Admin Secretary)</li> <li>• Pre-approved forms are signed by principal and returned to staff to make the purchase(s). (By Principal)</li> <li>• Completed form and receipts are reviewed by secretary prior to submitting to Principal.</li> <li>• Reimbursement check is issued with 2 signatures (Principal &amp; Admin. Secretary)</li> </ul>	<ul style="list-style-type: none"> <li>• By August 22, 2014 &amp; to be reviewed during staff meeting on Dec. 10, 2014</li> <li>• On-going (Aug – June 2014)</li> <li>• On-going (Aug – June 2014)</li> <li>• On-going (Aug – June 2014)</li> </ul>	<ul style="list-style-type: none"> <li>• Agenda</li> <li>• Completed Sample Form 280-54 by Admin Secretary</li> <li>• Completed approval &amp; signed forms filed</li> </ul>
<p>2. Field trips must include complete roster of all eligible participants and final accounting for all fees collected</p>	<ul style="list-style-type: none"> <li>• Teacher submit daily money collected for field trip along with students' names, with MCPS Form 280-34. (To be reviewed by Admin Secretary)</li> <li>• Upon completion of field trip, teachers will submit MCPS Form 280-41. (Teacher may make copy of student's attendance roster). (To be reviewed by Admin Secretary)</li> </ul>	<ul style="list-style-type: none"> <li>• On-going (Aug – June 2014)</li> <li>• On-going (Aug – June 2014)</li> </ul>	<ul style="list-style-type: none"> <li>• Completed approval &amp; signed forms filed</li> </ul>
<p>3. Fundraising must conform to <i>Guidelines for Sponsoring Independent Activity Fund-Raiser</i></p>	<ul style="list-style-type: none"> <li>• Sponsors will submit Fund Raiser Request Form to Principal for approval before beginning of activity.</li> <li>• Sponsors will submit daily collection of monies along with MCPS Form 280-34</li> </ul>	<ul style="list-style-type: none"> <li>• On-going (Aug – June 2014)</li> <li>• On-going (Aug – June 2014)</li> </ul>	<ul style="list-style-type: none"> <li>• Signed/Approval forms filed</li> </ul>

<p>4. Admission receipts must be controlled in accordance with MCPS Regulation DMB-RA</p>	<p>for daily deposits to Admin Secretary.</p> <ul style="list-style-type: none"> <li>Admission manager will be assigned by the Principal.</li> <li>Administrative Secretary will prepare MCPS Form 280-50 and issue tickets to the admissions manager before event.</li> </ul>	<ul style="list-style-type: none"> <li>On-going &amp; as needed (Aug – June 2014)</li> </ul>	<ul style="list-style-type: none"> <li>Signed/Approval forms filed</li> </ul>
<p>5. The standard account structure should be utilized and transactions recorded in correct accounts</p>	<ul style="list-style-type: none"> <li>Upon submission of daily money collected, Administrative Secretary will count the money in the presence of sponsor.</li> <li>Administrative Secretary will deposit money.</li> <li>Administrative Secretary will provide sponsor with a receipt</li> </ul>	<ul style="list-style-type: none"> <li>On-going (Aug – June 2014)</li> </ul>	<ul style="list-style-type: none"> <li>Signed/Approval forms filed</li> </ul>
<p>6. Funds remitted by sponsors must be promptly verified and deposited in the bank by the administrative secretary</p>	<ul style="list-style-type: none"> <li>Administrative Secretary will issue receipt to sponsors promptly.</li> </ul>	<ul style="list-style-type: none"> <li>On-going (Aug – June 2014)</li> </ul>	<ul style="list-style-type: none"> <li>Timely dated receipts and bank deposit receipts</li> </ul>
<p>7. A process should be implemented that ensures timely review of bank statement and monthly reports</p>	<ul style="list-style-type: none"> <li>Principal receives bank statement the day it arrives to school for review and signature.</li> <li>Bookkeeper will continue to come to school to reconcile books and to be verified &amp; signed by Principal.</li> </ul>	<ul style="list-style-type: none"> <li>On-going (Aug – June 2014)</li> </ul>	<ul style="list-style-type: none"> <li>Principal's initial &amp; date on bank statements</li> <li>Principal's signed copies of bookkeeper's reports.</li> </ul>

*Note: A copy of the approved plan is to be sent to the Internal Audit Office, URSC suite 3380*