


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 3, 2017

MEMORANDUM

To: Mrs. Yolanda R. Allen, Principal
Goshen Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
February 1, 2014, through November 30, 2016

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 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 meeting on January 25, 2017, with you and Mrs. Michelle N. Grenidge, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated March 28, 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

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with 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 school administrative secretary. Upon disbursement, the school administrative secretary must stamp or mark the invoice or other documented evidence of purchase as "paid" to preclude duplicate payment (refer to *MCPS Financial Manual*, chapter 20, page 6). In our sample of disbursements, we again found that prior approval was not consistently obtained. We also noted that invoices or other documented evidence of purchases were not stamped or marked "paid" upon disbursement. We recommend action be taken to bring purchasing into compliance with MCPS requirements.

Before the IAFs are used to pay for staff development expenditures, the availability of MCPS operating budget funds must first be considered. If operating budget funds are not available, the source of the IAFs must be other than student generated (refer to *MCPS Financial Manual*, chapter 20, page 10). We noted an instance in which you used student generated funds to pay for staff development activity. We recommend compliance with the MCPS requirement for the source of funds to support staff development.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the school administrative secretary together with a remittance slip. These funds must then be promptly verified, receipted, and deposited (refer to *MCPS Financial Manual*, chapter 7, page 4). We found that sponsors were holding funds collected rather than remitting them to the school administrative secretary on a daily basis. Also, the school administrative secretary was not always making timely deposits. Large and infrequent deposits increase the possibility of a loss of funds and decreases the ability to fund activities. To minimize the risk of loss and provide availability of funds, we recommend that all funds collected be promptly remitted to the school administrative secretary for deposit.

Review of field trip activities again revealed that not all field trip sponsors are providing completed financial information to the 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 9). The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. We recommend that all field trip sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchase invoices and receipts must be annotated as paid to indicate that disbursement was made.
- Staff development expenditures must be funded from non-student revenue sources.
- Funds collected by sponsors must be promptly remitted to the school administrative secretary.

- Funds remitted by sponsors must be promptly verified, receipted, and deposited in the bank by 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.

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*, please provide a response to the Internal Audit Unit within 30 calendar days of this report, with a copy to Mr. Eric A. Wilson, director of school support and improvement of elementary schools. In your response, please share a detailed plan for addressing these issues including appropriate staff training and support. The Office of School Support and Improvement will follow up on this audit.

RWP:GWB:lsh

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. Tallur

Mr. Wilson

Mr. Ikheloa



Goshen Elementary School

8701 Warfield Road
Gaithersburg, Maryland 20882
(301) 840-8165

February 15, 2017

MEMORANDUM

To: Mr. Roger W. Pisha, Supervisor, Internal Audit
From: Mrs. Yolanda R. Allen, Principal
Subject: Response to the Audit of Independent Activity Funds for the Period February 1, 2014, through November 30, 2016

In accordance with the Montgomery County Public Schools (MCPS) Regulation DIA-RA, Accounting for *Financial Operations/Independent Activity Funds*, and the *MCPS Financial Manual*, this memorandum is in response to the recommendations made from the Goshen Elementary School audit report dated, February 3, 2017.

The following procedures will be reviewed with the new administrative secretary (hired 7/1/16) and the staff through staff meetings, staff bulletins, and Staff Handbook "Goshen at a Glance".

Request for and Processing of Purchases

- MCPS Form 280-54, Independent Activity Funds (IAF) Request for Purchase, will be completed by the requestor at the time verbal request for funds are made and approval given so that purchase orders and invoices bear a date subsequent to the approval date and prior to the date that a check is generated.

Receipt of Purchase

- Upon processing invoices and receipts, the administrative secretary will mark paid to indicate that disbursement was made.

Expenditures

- Staff development expenditures will only be funded from non-student revenue sources.

Cash Handling

- Sponsors will collect, count and document all money (cash or check collected from students using MCPS 280-34 IAF Remittance Slip). This will be submitted on a daily basis to the school administrative secretary.



Goshen Elementary School

**8701 Warfield Road
Gaithersburg, Maryland 20882
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Receiving of Funds

- School administrative secretary will continue to promptly verify, receipt and deposit remitted funds from sponsors to the bank.

Field Trips

- Principal and administrative secretary will review trip planning packet to monitor and ensure that fees are sufficient.
- Sponsors will use MCPS Form 280-41 to document and maintain proper accounting of field trips, indicate if a student is not attending the trip or activity; and submit a final copy of 280-4 at the completion of the trip and compare remittance records to the trip account history report.

Please let me know if additional information is needed.

Copy to:

Mr. Eric Wilson, Director of School Support and Improvement

Fiscal Management Action Plan

School: Goshen Elementary School

Principal: Yolanda R. Allen

Approved by community superintendent: _____

Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Purchase requests must be approved by the principal prior to procurement.	Staff will <ul style="list-style-type: none"> Complete and sign MCPS Form 280-54 at the time of approval The principal will ensure detailed documentation of the purchase is attached to the request. 	When purchase requests are made.	Completed MCPS 280-54 Itemized receipts to document purchase Invoices signed by the admin secretary
Purchase invoices and receipts must be annotated as paid to indicate that disbursement was made	The administrative secretary will <ul style="list-style-type: none"> Stamp and date invoices for the purchase will be annotated as paid. 	After received goods are inventoried, invoiced, signed, dated & disbursed	Documentation of invoices, purchase orders, receipts will be annotated as paid.
Staff development expenditures must be funded from non-student revenue sources.	The administrative secretary and principal will <ul style="list-style-type: none"> Assure expenditures for staff development will only be funded from staff accounts. 	When expenditures are going to be made for staff	Documentation of appropriate accounts being used.
Funds collected by sponsors must be promptly remitted to the school administrative secretary	Sponsors will <ul style="list-style-type: none"> Collect, count, and document all money (cash or check) collected from students using MCPS 280-34. Submit to administrative secretary on a daily basis 	Daily when sponsors collect for trips	Completed MCPS 280-34 receipts of funds submitted Bank deposit statements done within the secretary's duty day
Funds remitted by sponsors must be promptly verified, receipted, and deposited in the bank by the school administrative secretary	The administrative secretary will <ul style="list-style-type: none"> Verify collected funds from sponsors promptly. Make deposits to the bank on a daily basis Issue a receipt after counting 	Daily when received	Bank deposit statements done within the administrative secretary's duty day.
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	Sponsors will <ul style="list-style-type: none"> Complete field trip planning packet Complete MCPS Form 280-41 to document and maintain proper accounting of field trips. Note how much each student has paid Submit a final copy of 280-41 at the completion of the trip and compare remittance recorded to the trip account history report. Principal will verify and ensure that fees are sufficient. The data will be used to	As needed for field trips	Completed MCPS Form 280-41 Completed checklist and other documents relevant to each field trip.

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