


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

November 15, 2017

MEMORANDUM

To: Mrs. Cheryl A. Bunyan, Principal  
Greenwood Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
November 1, 2014 – September 30, 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 November 10, 2017, meeting with you; Mrs.Carolynn Walsleben, assistant principal; and Mrs. Janet C. Paul, acting school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated December 16, 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

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 that the reports were printed by the visiting bookkeeper, but were not always distributed to the sponsors. 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



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 (refer to *MCPS Financial Manual*, chapter 20, page 10).

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 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. The school administrative secretary will mark the documentation as "paid." In our sample of disbursements, we found instances in which controls over purchases were weakened that included, MCPS Form 280-54 not signed by you prior to purchase, and documentation supporting purchases was not always stamped or marked "paid." By requiring prior approval, 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 once the check has been prepared, all supporting invoices and receipts should be stamped or marked "paid."

If an independent contractor is not currently listed in the School Funds Online (SFO) accounting system as a districtwide vendor, IRS Form W-9 must first be obtained and forwarded to the Division of Controller (DOC) prior to making any payment. The DOC annually reviews payments made to all districtwide vendors for issuance of IRS Forms 1099 in compliance with federal tax reporting requirement (refer to *MCPS Regulation DIA-RB, Payment for Services and Reimbursements for Expenses from School Independent Activity Funds*). Among your disbursements, we found payment for services to an independent contractor that did not follow these procedures. Although a W-9 form was obtained from the contractor, payment was not identified in SFO for IRS Form 1099 compliance requirements. We recommend that payments for personal services be made and reported in compliance with the applicable regulations and procedures (refer to *MCPS Financial Manual*, chapter 20, page 15).

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card Users Guide*. By the fifth of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements must be printed and provided to the principal, with all purchase receipts and invoices attached. The principal must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. We found that cardholders had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the principal had not approved all transactions online. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

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 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 the MCPS Form 280-34 should be issued promptly. We found that some sponsors were holding funds collected rather than remitting them to the school administrative secretary on a daily basis. Also, on occasion, the school administrative secretary was not making timely bank deposits. To improve controls, we recommend that all funds collected be remitted to the school administrative secretary daily for prompt deposit (refer to *MCPS Financial Manual*, chapter 7, page 4).

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 and volunteers who paid a fee to attend the trip. This data should be submitted to the school administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report. The data also should be used to estimate future trips. We found that not all sponsors are submitting completed data at the conclusion of each trip, and that data is not being compared to the final account history report. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, and provide complete data at the conclusion of each trip to reconcile with remittances recorded in trip accounts (refer to *MCPS Financial Manual*, chapter 20, page 10).

Principals are required to attend the professional development course, School Finance Training, Part I, and school administrative secretaries are required to attend both professional development courses, School Finance Training, Parts I and II. Refresher training is recommended every three years (refer to *MCPS Financial Manual*, chapter 1, page 10). We noted that you last completed this training November 3, 2009, and your permanent school administrative secretary last completed it July 15, 2009. We recommend that you and your school administrative secretary attend refresher School Finance Training.

#### Summary of Recommendations

- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the school administrative secretary (**repeat**).
- Purchase requests must be approved by the principal prior to procurement.
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made.
- Independent contractor payments must comply with MCPS Regulation DIA-RB.
- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide*.
- Funds must be promptly remitted by sponsors for deposit in the bank by 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 (**repeat**).
- Principal and school administrative secretary should attend refresher School Finance Training.

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. Matthew A. Devan, director of school support and improvement of elementary schools. Based on the audit recommendations, Mr. Devan 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:SMY: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

Mr. Devan

Ms. Diamond

Mr. Reilly

Mr. Tallur

Mr. Ikheloa

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> November 29, 2017	<b>Fiscal Year:</b> 2018
<b>School:</b> Greenwood ES	<b>Principal:</b> Cheryl Bunyan
<b>OSSI Associate Superintendent:</b> Dr. LaVerne Kimball	<b>OSSI Director:</b> Mr. Matt Devan

### Strategic Improvement Focus:

As noted in the financial audit for the period November 1, 2014-September 30, 2017, strategic improvements are required in the following business processes:

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Account history reports will be provided monthly to sponsors to verify the transactions for accuracy. After resolution of any discrepancies, the reports will be signed, dated by the sponsors, and returned to be kept in the IAF files.	Admin Secretary Sponsors	SFO Reports	Sponsors will get a color copy of report to sign and admin will keep a white copy. When color copy returned will see visually who hasn't returned form.	Visiting Bookkeeper Admin Secretary Principal (Monthly)	Signed and dated reports.
All request for purchases will be approved verbally by the principal and then requestor will complete Form 280-54 -- <i>IAF Request for a Purchase</i> . The requestor, financial agent, and principal will sign the form.  After the purchase is made, requestor will return rationale documentation and sign and date invoice/receipt of purchase, to attach to Form 280-54.	Principal Admin Secretary Requestor	Invoices/Receipts	Pending folder created for Request for Purchases until receipts are turned in by month.	Visiting Bookkeeper Principal Admin Secretary (as needed)	Completed Form 280-54 signed before purchase and documentation or receipts submitted and signed upon purchase by receiver.
All invoices and receipts for purchases will be stamped PAID to indicate disbursement was made.	Admin Secretary	Receipts IAF Files	Admin will stamp when items are paid and file in IAF Monthly Files	Principal (Monthly)	Invoices and receipts for purchased stamped PAID.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Vendors will be informed that 1099 (W9) information must be provided to the school before a check will be issued to independent contractors. Also, will inform independent contractors they will need to be set up with controller's office prior to a check being issued. This will comply with MCPS Regulation DIA-RB.	Admin Secretary	List of Independent Contractors set up with Controller	Independent Contractors Folder with copy of 1099.	Admin Secretary Visiting Bookkeeper (as needed)	Appropriate W9 forms to indicate their tax status will be provided by the vendors and retain as evidence.
Purchase card activity will comply with the MCPS Purchasing Card Users Guide by completing the process electronically on the JP Morgan website.	Principal Admin Secretary	JP Morgan	JP Morgan File/Website	Principal Visiting Bookkeeper(Monthly)	Printed copies of completed electronic log and evidence on website
Sponsors will collect funds, complete and sign MCPS Form 280-34 – <i>IAF Remittance Slip</i> , and submit to the administrative secretary promptly on a daily basis. All cash collected will be counted in front of the receiver for accuracy and a receipt will be issued. All cash collected will be deposited on a daily basis to include on the last working day each month and before each weekend and/or holiday.	Sponsors Admin Secretary	Bank Account SFO	Bank Statements and Receipt to Sponsors	Visiting Bookkeeper (as needed)	Completed Form 280-34, bank deposit receipts and bank statements.
Sponsors will request a field trip by submitting the field trip calculator information to be reviewed by the administrative secretary and principal to ensure student fees are appropriate. Sponsors will complete MCPS Form 280-41 – <i>Field Trip Accounting</i> for all field trips to keep a record of money collected from all students. Sponsors will provide information for any waivers or scholarships for students who will not be paying or students who will not be attending the field trip. Sponsors will submit MCPS Form 280-41 at the end of the Field Trip to reconcile funds collected for costs of the trip with account history report.	Sponsors Principal Admin Secretary	Field Trip Calculator	IAF Monthly Files File for each individual field trip.	Admin Secretary Visiting Bookkeeper (monthly)	Completed Form 280-41 and any additional documents relevant to each trip.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Refresher School Finance Training will be attended at least every three years. Training has been scheduled for April 2018.	Principal Admin Secretary	MyMPCS/PDF	Periodically check PDO for various financial training	Principal (as needed)	Administrative secretary and the principal have registered to complete the training on (April 2018)

**OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL**

☒ Approved

☐ Please revise and resubmit plan by \_\_\_\_\_

Comments: \_\_\_\_\_

Director: \_\_\_\_\_

*Malu Dem*

Date: 12/19/17

**Fiscal Management Action Plan for November 2017 Audit Report  
(Period of Review - November 1, 2014-September 30, 2017)**

**School: Greenwood Elementary School**  
**Approved by Performance Director: Matthew Devan**

**Principal: Cheryl A Bunyan**  
**Date of approval: December 6, 2017**

<b>Findings and Recommendations of School's Financial Report</b>	<b>Description of Resolution And Person(s) Responsible</b>	<b>Timeline</b>	<b>Evidence of Completion</b>
Monthly Account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary.	The administrative secretary will provide sponsors with a monthly statement of their accounts and they will verify the transactions, and that they are accurate. After resolution of any discrepancies, the statements will be <b>signed and dated by the sponsors</b> and kept on file.	Once per month	Signed and dated statements.
Purchase requests must be approved by the principal prior to procurement.	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. The invoices for the purchase will be <b>signed and dated by the receiver</b> .	As needed	Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver.
Purchase invoices and receipts must be annotated as paid to indicate disbursement was made.	The administrative secretary will provide the principal with the completed disbursement documentation annotated as paid	Whenever needed	Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver and any additional documentation.
Independent contractor payments must comply with MCPS Regulation DIA-RB	The administrative secretary will inform vendors that no checks will be issued before the 1099 (W9) paperwork is provided to the school	Whenever necessary	Appropriate W9 forms to indicate their tax status will be provided by the vendors and retain as evidence. Independent contractors will need to be set up with the district wide 1099 from the controller's office prior to being issued a check.
Purchase card activity must comply with the MCPS Purchasing Card Users Guide	The previous log method has now been discontinued. The principal and administrative secretary will both complete the process electronically on the JP Morgan website	Monthly and before the 5 <sup>th</sup> of the month	Printed copies of completed electronic log and evidence on web site
Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the administrative secretary and promptly deposited.	Cash collected will be counted in front of the receiver and a receipt will be issued at that time, by the <b>administrative secretary</b> . Cash will be submitted by sponsors on a daily basis, and the <b>administrative secretary</b> will make deposits, to include on the last working day of each month and before each weekend or holiday.	Daily sponsor submission of funds Immediate receipt of funds Deposits daily as needed, last working day of the month, and before holidays and weekends.	Receipts of funds submitted and bank deposit statements.