


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

September 5, 2018

MEMORANDUM

To: Mrs. Carrie L. Zimmerman, Principal
Greenwood Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2017 through July 31, 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 Board of Education policies, MCPS regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with 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 policies, regulations, and procedures and that any significant errors or omissions in the financial records are detected.

At our August 27, 2018, meeting with you and Mrs. Lillian E. Gascon, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated November 15, 2017, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2018, and that Mrs. Gascon assumed her duties as school administrative secretary effective April 3, 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

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 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 were weakened that included MCPS Form 280-54 not signed by the principal in advance of purchase, 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. Invoices should be signed by the recipient once merchandise has been received in good condition at the school. Once a check has been written the documentation should be stamped "paid" and filed with the financial records.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card User's Guide*. By the fifth business day 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. The principal's card transactions are to be reviewed and approved by the respective director of learning, achievement, and administration. We found that although cardholders had reviewed purchases in the online system, they had not prepared their monthly statements nor provided their purchase receipts for review to the previous principal. We also found that the previous 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.

Controls over cash receipts need improvement. Staff collecting funds for field trips were holding funds rather than remitting them timely to the school administrative secretary. To minimize the risk of loss and provide available funds to meet school needs, all funds collected should be remitted to the school administrative secretary daily (refer to *MCPS Financial Manual*, chapter 7, page 4). We recommend that staff collecting funds be reminded that cash and checks should not be held and must be remitted to the school administrative secretary on the day received from students.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Student Organization Trips*. Trip approval forms signed by the principal and the director of learning, achievement, and administration, when required, should be retained. Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, date paid, eligible students who did not participate in the

trip, and students who received waivers, scholarships, or reduced fees. This data, together with a list of all chaperones and volunteers, should be provided to the school administrative secretary at the completion of each trip and compared to remittances recorded in the trip account history report (refer to *MCPS Financial Manual*, chapter 20, page 10). We found that not all sponsors are providing completed data at the conclusion of each trip. We recommend that all sponsors be required to use MCPS Form 280-41: *Field Trip Accounting*, or an equivalent, and follow the procedures outlined above.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made (**repeat**).
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide* (**repeat**).
- 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 (**repeat**).

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. Michael J Zarchin, director of learning, achievement and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Zarchin 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 financial agent 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. Williams
Mrs. Camp
Mrs. Chen

Ms. Diamond
Mr. Reilly
Mr. Tallur
Dr. Zarchin
Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: October 2, 2018	Fiscal Year: October 2, 2018
School: Greenwood ES - 512	Principal: Carrie L. Zimmerman
OSSI Associate Superintendent: Dr. Darryl L. Williams	OSSI Director: Dr. Michael J Zarchin
Strategic Improvement Focus: As noted in the financial audit for the period <u>10/01/17-7/31/18</u> , 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
All purchase requests will be approved by the principal prior to procurement using form 280-54 - IAF Request for Purchase. The requester, the financial agent and the principal will sign the form prior to procurement.	Principal Administrative Secretary Requester	Form 280-54 Invoice and/or Receipt	Pending folder established for requests using Form 280-54 until receipts are submitted; organized by month	Principal Administrative Secretary Visiting Bookkeeper (as needed)	Completed form 280-54 signed prior to purchase, documentation of receipts, and signature of requester once materials received.
All purchases will have a confirmation receipt of goods or services purchased prior to disbursement.	Principal Administrative Secretary Requester	Form 280-54 Invoice and/or Receipt	Record of receipt, PAID stamp on Form 280 - 54, and signature of requester receiving material(s).	Principal Administrative Secretary Visiting Bookkeeper (as needed)	Completed form 280-54 signed prior to purchase, documentation of receipts, and signature of requester once materials received.
All invoices and receipts for purchases will be annotated as PAID to indicate that disbursement was made	Administrative Secretary	Receipts Invoices IAF Files	Administrative secretary when items are paid and file in the IAF Monthly files	Principal (monthly) with administrative secretary	Receipts and invoices for purchase marked with PAID stamp.
Greenwood discontinued the use of the purchase card and all users assigned to the card. Therefore there is no activity using the purchase card. If Greenwood selects to use a purchase card, the purchase card activity must comply with the MCPS Purchasing Card Users Guide.	Principal	None at this time. JP Morgan	None at this time. JP Morgan File/Website if purchasing card is reinstated.	Principal (if a purchase card is reinstated). Visiting Bookkeeper	There is no purchase card for Greenwood. If a purchase card is reinstated, electronic log and evidence on website would be available.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
All funds collected will be accounted for by sponsors through the MCPS Form 280-34 Remittance Slip. All cash will be counted in front of the receiver for accuracy. All cash collected will be deposited daily to include the last working day of the month, before each holiday/weekend.	Sponsors Administrative Secretary	Form 280-34 Bank Account SFO	Bank Statements Receipt to Sponsor Deposit Receipts	Principal Visiting Bookkeeper (as needed)	Completed Form 280-34 Bank Deposit Receipts Bank Statements
Sponsors will use MCPS Form 280-41 to account for all money collected from all students. Sponsors will provide information about waivers, scholarships, students not paying and students not attending. Sponsors will submit Form 280-41 to reconcile funds collected for the field trip.	Sponsor Administrative Secretary Principal	Form 280-41	IAF Monthly files Individual field trip files	Principal Administrative Secretary Visiting Bookkeeper	Completed Form 280-41 and nay additional documents relevant to each trip.

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

☒ Approved

☐ Please revise and resubmit plan by _____

Comments:

Director:



Date:

11-19-18