


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 22, 2016

MEMORANDUM

To: Dr. Carole E. Rawlison, Principal
Harmony Hills Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2014, through October 31, 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 fundraisers. 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 December 16, 2016, we reviewed the status of the conditions described in our prior audit report dated February 25, 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

In order to properly control receipts, all cash and checks collected by sponsors for IAF activities should be remitted promptly along with MCPS Form 280-34: *Independent Activity Fund (IAF) Remittance Slip*. The funds should be verified in the presence of the remitter, and a receipt that is supported by the MCPS Form 280-34 should be issued promptly (refer to *MCPS Financial Manual*, chapter 7, page 4). We found instances in which there were delays in the issuance of

receipts, and some sponsors were holding funds rather than remitting them on a daily basis. To improve controls, we recommend adoption of the procedures found in chapter 7 of the *MCPS Finance Manual*.

A review of disbursements disclosed instances in which invoices were not marked by the purchaser of the goods or services to certify the receipt of the quantity or quality of the item(s) purchased. In addition, there were instances in which items were delivered to some staff members' residences, rather than to the school. We recommend that action be taken to correct these conditions and bring purchasing into conformity with MCPS requirements (refer to *MCPS Financial Manual*, Chapter 20, page 4).

Our review of field trip activities revealed that not all field trip sponsors were providing completed financial information to the administrative secretary at the completion of a trip. All 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 the trip is completed. This data should be reconciled with the account history report established for the trip (refer to *MCPS Financial Manual*, chapter 20, page 10). 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 sponsors be required to use MCPS Form 280-41, or equivalent, and follow the procedures outlined above.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We found that there was 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 7000 series and a completion report prepared that analyzes the results (refer to *MCPS Financial Manual*, chapter 20, page 13). We recommend compliance with the guidelines stated above and utilization of the standard IAF chart of accounts (refer to *MCPS Financial Manual*, chapter 20, page 26).

Summary of Recommendations

- Cash handling process must conform to chapter 7 of the *MCPS Finance Manual*.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Items purchased with IAF must be delivered to the school.
- 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.
- Fund-raising must conform to *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*.
- Recording of IAF transactions should adhere to the standard chart of accounts.

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 Unit within 30 calendar days of this report, with a copy to Mrs. Cheryl L. Smith, 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:LAS:lsh

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

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Mrs. Camp

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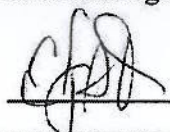
Mr. Tallur

Mrs. Smith

Mr. Ikheloa

Fiscal Management Action Plan

School: Harmony Hills Elementary School

Approved by Director of School Support and Improvement: 

Principal: Carole Rawlison

Date of approval: 02.07.2017

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Cash handing process must conform to Chapter 7 of MCPS Finance Manual	<p>-Cash collected will be counted in front of the receiver and a receipt will be issued at that time, by the administrative secretary.</p> <p>-All money collected is due to the main office by 10:00 AM.</p> <p>-Cash will be submitted by sponsors on a daily basis, and the administrative secretary will make deposits, to include on the last working day of each month and before each weekend or holiday.</p>	Sponsors submit Daily Admin secretary receipts funds and deposits daily when received; last working day of the month, and before holidays and weekends.	Reviewed at January 3, 2017 staff meeting Completed receipts of funds submitted and bank deposit statements.
Purchaser must confirm receipt of goods and services prior to disbursement.	The received goods will be inventoried. The invoices for the purchase will be signed indicating receipt and dated by the receiver.	After purchases are made	Reviewed at January 3, 2017 staff meeting Copy of invoice signed and dated
Items purchased with IAF must be delivered to the school.	All items purchased with school or grant monies will be processed at HHES, invoiced will be signed and dated	As needed	Copy of signed and dated invoices
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.	<p>Review checklist to guide sponsors through field trip accounting processes.</p> <p>Sponsors will provide complete class or club rosters and note how much each student has paid, to include the date, and any waivers or scholarships for students. Also, sponsors will include if a student is not attending the trip or activity.</p> <p>Sponsors will also provide this at the completion of the trip and compare remittance recorded to the trip account history report. The data will be used by the sponsors and administrative secretary to plan for future trips.</p> <p>Sponsors will use MCPS Form 280-41 to record trip fees and provide complete data at the end of each trip.</p> <p>Trip planning will be calculated and reviewed by the administrative secretary and approved by the principal to ensure that fees are appropriate.</p>	As needed for field trips	Completed MCPS Form 280-41 & checklist and any other documents relevant to each field trip.

Fund-raising must conform to <i>Guidelines for Sponsoring an Independent Activity Fund Fundraiser</i>	All sponsors will get a copy of fundraiser guidelines Administrative secretary will review all forms and earmark donations for designated accounts Principal will review and approve	As needed	Completed MCPS forms, fundraiser request forms, fundraiser completion report
Recording of IAF transactions should adhere to the standard chart of accounts.	Administrative secretary will streamline accounts and specify designated accounts for activities and fieldtrips	As needed	Monthly report from bookkeeper

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