


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

January 28, 2020

MEMORANDUM

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

From: Mary J. Bergstresser, Acting Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2016, through November 30, 2019

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 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 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 any significant errors or omissions in the financial records are detected.

At our January 22, 2020, meeting with you and Mrs. Marlene Pineda, school administrative secretary, we reviewed our prior audit report dated December 22, 2016, 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 the principal's approval to proceed with an intended purchase. After acquisition, the purchaser must 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 documentation is to be stamped or marked "paid" to preclude duplicate payment (refer to the

MCPS Financial Manual, chapter 20, page 6). In your action plan dated February 7, 2017, you indicated that purchase invoices would be signed and dated to indicate the receipt of goods and services. In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal, invoices were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received, and documentation supporting purchases were not consistently stamped or marked "paid." All IAF purchases must comply with MCPS procedures.

To properly control funds, all cash and checks collected by sponsors for IAF activities must be remitted promptly to the school administrative secretary. These funds must then be verified in the presence of the remitter and a receipt that is supported by MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, must be issued promptly (refer to the *MCPS Financial Manual*, chapter 7, page 4). In your action plan, you indicated that sponsors would remit funds on a daily basis to the school administrative secretary, and she would make prompt deposits, including on the last working day of the month and before each weekend or holiday. We found instances in which funds were held by sponsors rather than being remitted on a daily basis to the school administrative secretary and not always promptly deposited into the school's bank account. To minimize the risk of loss and provide availability of funds to meet school needs, all funds collected must be remitted daily to the school administrative secretary for prompt deposit.

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. In your action plan, you indicated that sponsors would receive a copy of the fundraiser guidelines, and you would review and approve the fundraisers. We found that not all sponsors were preparing fundraiser request forms to obtain your approval prior to the start of an activity. We also noted that sponsors were not submitting a completion report when the fundraiser was finalized. Following these internal control procedures provides for accountability of funds raised as well as the ability to evaluate the results at the conclusion of the event. Each fund raiser should be documented by advance written principal approval retained in the school office. Financial activities for each fundraiser should be recorded in a separate account with a completion report prepared that analyzes the results (refer to the *MCPS Financial Manual*, chapter 20, page 11).

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Student Organization Trips*. Trip approval forms must be signed by the principal, and the director of learning, achievement, and administration, when required, and retained for future reference. 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, must be provided to the school administrative secretary at the completion of each trip and compared to remittances recorded in the trip account history report. In your action plan, you indicated that sponsors would complete MCPS Form 280-41, *Field Trip Accounting*, to document and maintain proper accounting of field trips. We found that not all sponsors are providing completed data at the conclusion of each trip and that data is not being compared to the final account history report. All sponsors are

required to submit MCPS Form 280-41, or equivalent and follow the procedures outlined above. This data must be reconciled by the school administrative secretary with remittances recorded in activity accounts (refer to the *MCPS Financial Manual*, chapter 20, page 10).

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchase invoices must be annotated as “paid” to indicate disbursement was made.
- Cash and checks (funds) collected by sponsors must be promptly remitted to the school administrative secretary (**repeat**).
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the school administrative secretary (**repeat**).
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser* (**repeat**).
- Field trip records that are prepared by sponsors must provide comprehensive data to account for all students eligible to participate and to reconcile funds collected (**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 Mr. Sean McGee, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mr. McGee 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.

MJB:AMB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Morris
Mrs. Camp
Mrs. Chen
Ms. Diamond
Mr. Marella
Mr. McGee
Mr. Reilly
Mr. Tallur
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: February 3, 2020	Fiscal Year: February 3, 2020
School: Harmony Hills ES - 797	Principal: Carole Rawlison
OSSI Associate Superintendent: Ms. Diane Morris	OSSI Director: Mr. Sean McGee
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>11/1/16-11/30/19</u>, strategic improvements are required in the following business processes :</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchase requests will be approved by the principal prior to procurement. We will keep a copy of form MCPS 280-54.	Admin. Secretary Principal	MCPS Form 280-54	IAF: Requests for reimbursements binder	Monthly monitoring by: Admin. Secretary Bookkeeper Principal	Monthly report by bookkeeper and admin. secretary
Purchaser will confirm receipt of goods or 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.	The invoices for the purchase will be signed indicating and dated by the receiver.	All packing slips/ invoices/ receipts	Instructional Materials Binder	As received by admin. secretary	Copy of signed and dated invoice
Purchase invoices will be annotated as "paid" to indicate disbursement was made.	Admin. secretray	Signed and dated invoice	Instructional Materials Binder	As received by admin. secretary	Copy of signed and dated invoice
Cash and checks (funds) collected by sponsors will be promptly remitted to the school administrative secretary. Cash collected will be counted in front of the receiver and a receipt will be issued at that time, by the administrative secretary. All money collected is due to the main office by 1:30 PM. Admin. sec. will make deposits daily.	All staff Admin. sec.	MCPS Form 280-34	MCPS Form 280-34 Bank deposit slips	As received by admin. secretary	Copy of signed/dated MCPS Form 280-34 to sponsor, receipt, and bank deposit slips

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Remitted funds will be promptly verified, receipted, and deposited in the bank by the school administrative secretary,	Admin. sec.	MCPS Form 280-34	Signed and dated MCPS Form 280-34	Monthly by admin. secretary and bookkeeper	Receipts and Bank deposits
Fund-raising will conform to Guidelines for Sponsoring an IAF fund-raiser. All sponsors will get a copy of fund-raiser guidelines. Administrative secretary will review all forms and earmark donations for designated accounts	All sponsors Admin. secretary Principal	Guidelines to sponsor IAF fundraise Fundraiser request form.	Completed MCPS forms, fund-raiser request forms, fund-raiser completion report	Monthly: Admin. secretary Bookkeeper	Fund-raiser completion report
Field trip records that are prepared by sponsors will provide comprehensive data to account for all students eligible to participate and to reconcile funds collected.	Admin. secretary All teachers	Field-trip acct. spreadsheet MCPS Form 280-34, MCPS Form 260-1	Field-trip accounting spreadsheet MCPS Form 280-34, Field-trip reconciliation form	As needed by: All teachers Admin. secretary Principal Bookkeeper	Field-trip reconciliation form
Administrative secretary and Principal will take school finance training-Pt. 2	Admin. Secretary Principal	school finance training-Pt. 2	Completion of course	Course instructor/May 20, 2020	Course certificate

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

Approved Please revise and resubmit plan by _____

Comments:

Director: _____



Date: 2/21/2020