


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

November 2, 2017

MEMORANDUM

To: Mr. Scott R. Steffan, Principal  
Highland Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
September 1, 2014, through 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 October 25, 2017, meeting with you and Mrs. Miriam D. Stewart, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated November 3, 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

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, bank reconciliation report and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date. We noted instances in which the principal's review was not accompanied by a date that could assure review was being

completed on a timely basis. We also noted instances in which the monthly report was prepared more than 20 days after the end of a month. We recommend you initiate a process that ensures this important internal control process is properly documented and occurs monthly in a timely manner (refer to *MCPS Financial Manual*, chapter 20, page 9).

Sponsors of field trips should keep records of the names of trip participants with the amount collected from each, and provide this information to the administrative secretary when all fees have been collected. MCPS Form 280-41, *Field Trip Accounting*, or an equivalent accounting form, should be used for this purpose. We found the data required to enable reconciliation of field trip accounts was not always provided by sponsors. We recommend MCPS Form 280-41, or an equivalent accounting form be provided to the school administrative secretary when all fees have been collected (refer to *MCPS Financial Manual*, chapter 20, page 10).

#### Summary of Recommendations

- The principal should initiate a process that insures monthly reports are prepared and reviewed in a timely manner.
- 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**).

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. Mathew 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:LS: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  
 Mr. Diamond  
 Mr. Reilly  
 Mr. Tallur  
 Mr. Ikheloa

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> November 10, 2017	<b>Fiscal Year:</b> November 10, 2017
<b>School:</b> Highland ES - 774	<b>Principal:</b> Scott Steffan
<b>OSSI Associate Superintendent:</b> Dr. LaVerne Kimball	<b>OSSI Director:</b> Matthew Devan

**Strategic Improvement Focus:**

As noted in the financial audit for the period 9/1/14 - 9/30/17, 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
The review of the monthly bank statements and ledger reports will include the date of the review by the principal in addition to the signature of the principal.	Scott Steffan Principal			Visiting Bookkeeper will submit all reports for the Principals review for signatures and dates	Principal will include the date of review along with his signature on all monthly reports confirming review is completed on a timely basis.
Preparation of the Monthly Reports by the Visiting Bookkeeper to be processed in a timely manner.	Lois Vuolo Visiting Bookkeeper			Administrative Secretary will work with VB on reserving a visit within a timely manner.	Visiting Bookkeeper to schedule a visit and prepare reports before the 20th day after the end of the month
Sponsors of field trips to continue to use form 280-41 to record names and fees collected from students for field trips,	Sponsors and Administrative Secretary			Administrative Secretary to collect form 280-41 from sponsors at the end of field trips for reconciliation.	Sponsors to provide comprehensive data and reconcile funds collected and provide info to Admin Secretary for reconciliation of funds collected

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments:	
Director: <u>Maureen</u>	Date: <u>12/12/17</u>