


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

November 20, 2018

MEMORANDUM

To: Mrs. Deborah R. Higdon, Principal  
Lakelands Park Middle School

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

Subject: Report on Audit of Independent Activity Funds of the Media Center for the period July 1, 2011, through September 30, 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 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.

This audit was conducted at your request to evaluate compliance with policies, regulations, and procedures for media center IAF activities. MCPS media center staff are responsible for maintaining collections of books and materials used that are sometimes loaned to students. Part of that responsibility includes issuance of obligations to students to reimburse the school for any lost or damaged materials loaned to them. Funds collected by media center staff are to be remitted to the school financial specialist in a timely manner. We reviewed documentation for collections of obligations and invoices to document purchases for the media center.

At our October 22, 2018, meeting with you, Miss Rui-Hung Tsai, media specialist; and Mrs. Jill T. Weiner, media assistant; we discussed prior and current financial practices of media center staff. It should be noted that Miss Tsai has been in this position since July 1, 2011. Mrs. Weiner began her duties on July 1, 2017, after the former media assistant terminated employment June 30, 2017, following an extended period of leave due to illness. This audit report presents the findings and recommendations resulting from our examination of the records and financial accounts for your school's media center for the period designated above.

Findings and Recommendations

The management of IAF must be in accordance with good business practices that include sound accounting and internal control procedures (refer to *MCPS Financial Manual*, chapter 20, page 1). The media specialist is assigned as the account manager for media center School Funds Online

IAF accounts and is responsible for procurement of media center materials, as well as the collection of obligation reimbursements for books and materials lost or damaged by students. We found that the practices and procedures of the media center staff did not comply with MCPS requirements for proper control and oversight of IAF. As a result, you initiated the requirement for staff members to acknowledge in writing that they have read, understand, and will comply with the sponsors IAF financial guidelines for school year 2018–2019. We recommend that you continue to monitor financial activities of sponsors to ensure compliance with IAF requirements.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, to the school financial specialist on the day the funds are received (refer to *MCPS Financial Manual*, chapter 7, page 4). We noted large amounts of cash had been kept in a locked drawer in the media specialist's office, rather than remitting the funds to the school financial specialist as required. We also noted that only checks had been routinely remitted to the school financial specialist. During most of Fiscal Year 2016, we could not find that any funds had been remitted to the school financial specialist. Transactions for cash and check payments were recorded in the media center's web-based Destiny Library Manager System (DLMS) rather than in the FilemakerPro obligation database. Cash payments also were recorded on a spreadsheet created by the media specialist. However, this spreadsheet contained multiple errors and omissions, no consistent running balance, and adjustments made with no explanation. We also found records indicating that cash was counted to verify the balance on hand only seven times between June 2016 and May 2018, signifying there was no practice in place to reconcile daily collections to system reports. To address this control deficiency, you instructed media center staff to enter obligations in the FilemakerPro database, rather than in DLMS, and that cash and check obligation payments are to be collected by the school financial specialist. We recommend that all staff who collect funds for school activities be reminded of remittance requirements and that you continue to monitor media center financial activities to ensure the obligation payment procedure is being followed.

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase. 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. Purchases must be documented by receipts or invoices (refer to *MCPS Financial Manual*, chapter 20, page 4). We found that the media specialist made purchases for the school without prior approval of the principal using cash that accumulated from the collection of student obligation reimbursements. Receipts or invoices sometimes included sales tax and were not annotated with the reason for the purchase or the total amount paid. Therefore, we were not able to determine whether or not sales tax was inappropriately paid. We also did not find documentation for all purchases or reimbursements. By requiring prior approval and proper documentation, the principal retains control over the expenditure of IAF funds. We recommend that the media specialist be reminded that MCPS Form 280-54 must be prepared by her and signed by the principal prior to proceeding with a purchase and that proper documentation must be obtained and submitted to the school financial specialist for disbursement.

Summary of Recommendations

- IAF must be managed in accordance with sound accounting practices and effective internal control procedures.
- Funds collected by sponsors must be promptly remitted to the school financial specialist.
- Purchase requests must be approved by the principal prior to procurement.
- All IAF disbursements must be fully documented prior to disbursement.

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 Mrs. Michelle E. Schultze, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mrs. Schultze will indicate whether she 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:DKH: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

Mrs. Schultze

Mr. Tallur

Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> November 20, 2018	<b>Fiscal Year:</b> November 20, 2018
<b>School:</b> Lakelands Park MS - 522	<b>Principal:</b> Deborah R. Higdon
<b>OSSI Associate Superintendent:</b> Dr. Darryl Williams	<b>OSSI Director:</b> Mrs. Michelle Schultze
<p><b><u>Strategic Improvement Focus:</u></b>          As noted in the financial audit for the period <u>2011 - 2018</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
All student obligations will be paid to the financial assistant.	Cathy Tsakanikas	None	Monthly reconciliation reports will be given to principal and media specialist	Principal, Financial Assistant and Media Specialist	Principal, Financial Assistant and Media Specialist will review and sign off on all statements for accuracy.

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

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

Comments:

Director:       Date: 11-28-18