


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

July 22, 2016

MEMORANDUM

To: Ms. Debra A. Berner, Principal
Lakewood 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 June 30, 2016

The 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 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.

In our meeting on July 12, 2016, with you and Mrs. Patricia W. Staines, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated March 6, 2014, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2016. 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

On the day sponsors collect cash and checks for the IAF activities, they must remit the funds with MCPS Form 280-34: *Independent Activity Fund (IAF) Remittance Slip*, to the school administrative secretary. After verification of the amount of funds in the presence of remitters, the school

administrative secretary will issue to each remitter a receipt printed from the School Funds Online (SFO) accounting software program, and also print the SFO bank analysis form. Upon return from the bank, the school administrative secretary will attach to the MCPS Forms 280-34, the deposit slip annotated by the bank to acknowledge receipt of the funds, the SFO deposit analysis form and all copies of SFO receipts. This group of documents should be filed in deposit number order. We found instances in which fees for field trips were not promptly remitted, as well as other deviations from this required process (refer to *MCPS Financial Manual*, chapter 7, page 4). We recommend compliance with MCPS cash handling procedures.

Disbursement of the IAF must be controlled in a number of ways. All purchases must be approved in advance and in writing using MCPS Form 280-54: *Independent Activity Funds Request for a Purchase*. After the purchase is completed, the purchaser should submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the school administrative secretary. A check may then be drawn and it must bear two signatures, one of which is that of the principal. We noted instances in which MCPS Form 280-54 was not fully completed and expenditures with missing or inadequate documentation to assure the school benefited from the purchase. We also noted instances of receipts not annotated by recipient to indicate purchased goods or services were satisfactorily received and not marked as "paid" after disbursement. We recommend the IAF purchases comply with MCPS procedures.

Our review of field trip activities again revealed that not all field trip sponsors are providing completed financial information to the school administrative secretary at the completion of a trip. 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 a trip is completed (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 all sponsors be required to use MCPS Form 280-41, or equivalent, and follow the procedures outlined above.

Summary of Recommendations

- Cash handling process must conform to chapter 7 of the *MCPS Finance Manual*.
- Controls over purchasing must comply with MCPS procedures.
- Field trip sponsors must compile and provide to the school administrative secretary complete financial information at the conclusion of each trip (repeat).

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 Ms. Loretta M. Favret, director of school support and improvement of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:LS:lsh

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Members of the Board of Education

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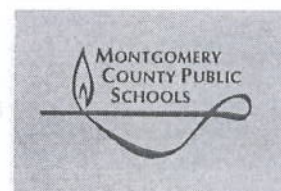
Ms. Diamond

Ms. Favret

Mr. Ikheloa

Lakewood Elementary School

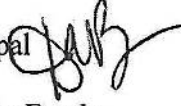
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Office of the Principal
RECEIVED
AUG 24 2016
BOARD OFFICE

August 15, 2016

MEMORANDUM

To: Mr. Roger W. Pisha, Supervisor, Internal Audit Unit
From: Ms. Debra A. Berner, Principal 
Subject: Audit of Independent Activity Funds

The purpose of this memorandum is to respond to the findings of Mr. Pisha, supervisor, Internal Audit Unit, during the recent audit of Independent Activity Funds at Lakewood Elementary School.

Concerning the audit report for Lakewood ES, we will work to ensure we are complying with the MCPS Purchasing Card User's Guide. We will do the following:

- Ensure that all staff members know that they are required to remit the MCPS form 280-54, *Independent Activity Funds (IAF) Request for a Purchase Remittance Slip* for preapproval of all purchase requests;
- Ensure that all sponsors remit collected funds with MCPS form 280-34, *Independent Activity Funds (IAF) Remittance Slip* and that the administrative secretary issues each remitter a receipt printed from the School Funds Online;
- The school administrative secretary will follow the required process for documenting field trip fees as outlined in the MCPS Financial Manual, Chapter 7, page 4;
- School staff will be reminded about proper procedures of field trips. We will also make sure our field trip records include comprehensive data such as cost and fee information as well as the use of MCPS form 280-41: *Field Trip Accounting* to account for all students participating on field trips.

I have commended my school administrative secretary, Mrs. Patricia Staines, for her excellent preparation of her first audit as well as her organization and completeness of our financial records.

I truly appreciate the time, energy and guidance provided to Lakewood ES through the audit to help ensure that we are compliant in all ways with the financial responsibilities entrusted to us.

Copy to:
Ms. Favret