


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

July 22, 2019

MEMORANDUM

To: Ms. Debra A. Berner, Principal
Lakewood Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2016, through May 31, 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 July 16, 2019, meeting with you, Mrs. Hyon M. Neff, assistant principal; Mrs. Patricia W. Staines, school administrative secretary; and Mrs. Linda Chrisler, visiting bookkeeper, we reviewed our prior audit report dated July 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 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. Upon

disbursement, the documentation is to be stamped or marked “paid” to preclude duplicate payment (refer to *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal, receipts were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received, and invoices supporting purchases were not stamped or marked “paid.” We recommend that the IAF purchases comply with MCPS procedures.

To properly control funds, all cash and checks collected by sponsors for IAF activities should be remitted promptly to the school administrative secretary. These funds should 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*, should be issued promptly (refer to *MCPS Financial Manual*, chapter 7, page 4). 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, we recommend that all funds collected be remitted daily to the school administrative secretary for prompt deposit.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Student Organization Trips*. Trip approval forms should 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, should be provided to the school administrative secretary at the completion of each trip and compared to remittances recorded in the trip account history report. 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. We recommend that all sponsors be required to use MCPS Form 280-41, *Field Trip Accounting*, or equivalent and follow the procedures outlined above.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchase invoices must be annotated as “paid” to indicate disbursement was made (**repeat**).
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the school administrative secretary (**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 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 Mrs. Jennifer L. Webster, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mrs. Webster 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.

MJB:AMB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Morris

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Reilly

Mr. Tallur

Mrs. Webster

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2019	Fiscal Year: 2019
School: Lakewood ES - 209	Principal: Debra A, Berner
OSSI Associate Superintendent: Diane Morris	OSSI Director: Jennifer Webster
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>2016-2019</u>, strategic improvements are required in the following business processes :</p> <p>Purchase requests; purchaser confirmation of goods received; purchase invoices annotated as "paid"; remitted funds properly deposited; field trip records</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
1. Purchase Requests must be approved by the principal prior to procurement. School administrative secretary will submit a 280-54 form for principal signature prior to writing a check to pay vendors and/or MCPS. Staff will continue to be informed and monitored regarding this protocol.	Administrative Secretary Principal	N/A	At monthly bank reconciliation with bookkeeper	Principal Bookkeeper Administrative Secretary	
2. Purchaser must confirm receipt of goods or services prior to disbursement. A copy of the invoice will be made available for the staff member to check and then sign that they received their items. Staff will continue to be informed and monitored regarding this protocol.	Administrative Secretary Recipient of goods	N/A	At monthly bank reconciliation with bookkeeper	Principal Bookkeeper Administrative Secretary	
3. Purchase invoices must be annotated as "paid" to indicate disbursement was made. Administrative Secretary will continue the practice of stamping "Paid" on completed invoices.	Administrative Secretary	N/A	At monthly bank reconciliation with bookkeeper	Principal Bookkeeper Administrative Secretary	
4. Remitted funds must be properly verified, receipted, and deposited in the bank by the school administrative secretary. Office staff will establish a time of day for funds to be collected; staff will continue to be informed and monitored regarding this protocol.	Administrative Secretary Principal School staff members	N/A	At monthly bank reconciliation with bookkeeper	Principal Bookkeeper Administrative Secretary	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
5. Field trip records must provide comprehensive data to account for all students eligible to participate and to reconcile funds collected with costs of the trip. Continued use of the reconciliation form. Staff will receive updated training during preservice/2nd semester	Administrative Secretary School staff sponsors	N/A	At monthly bank reconciliation with bookkeeper	Principal Bookkeeper Administrative Secretary	
The auditor suggested that the Administrative Secretary and Principal attend a refresher finance course. We are currently checking for available days/times.	Administrative Secretary Principal	Course availability on PDO	Date of course completion	N/A	

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

Approved Please revise and resubmit plan by _____

Comments: _____

Director:  _____ Date: 8/21/19