


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

October 9, 2014

MEMORANDUM

To: Mrs. Donna M. Sagona, Principal
Laytonsville Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2010, through August 31, 2014

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.

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 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 October 7, 2014 with you, and Mrs. Cynthia Hustek, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated October 27, 2010, 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, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-5). 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. 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 administrative secretary. In our sample of disbursements, we again found that prior approval was not consistently obtained, and invoices were not always signed by the receiver or stamped "paid". By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by the principal at the time verbal approval is sought.

MCPS purchasing card members must record purchases on transaction logs and submit them monthly with invoices and receipts attached for review and approval by the principal. Monthly summary reports from the credit card company are to be reviewed, signed and dated by the principal to ensure that purchases are appropriate and within established limits. We found that logs and the summary reports were not always reviewed and signed by the principal. We also noted that some receipts were missing, as well as certification of receipt of goods or services for most purchases. We recommend purchasing card members be required to comply with the requirements of the MCPS *Purchasing Card Users Guide*.

Controls over cash receipts need improvement. Staff collecting funds were at times holding funds rather than remitting them timely to the administrative secretary. Also, the administrative secretary was not always making timely deposits and was holding money in excess of permitted amounts. Large and infrequent deposits increase the possibility of loss of funds, diminish the schools ability to fund activities, and are contrary to the MCPS Financial Manual. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected should be remitted to the administrative secretary daily (see MCPS Financial Manual, p. 7-4). We also noted during our review of receipts that funds collected from students and remitted to the administrative secretary were not always accompanied by a remittance advice. MCPS Form 280-34, *Remittance Slip*, is required for student fees because it identifies the source and purpose of remittances and helps ensure that fees collected have been properly authorized. We recommend staff be required to prepare and submit this form with each remittance.

Review of field trip activities again revealed that although sponsors are providing cost and fee information as funds are collected and remitted, not all field trip sponsors are providing comprehensive financial information to the 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 administrative secretary when a trip is completed. The record of the names of participants and sums collected provides assurance that all field trip fees have been remitted. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (repeat);
- Purchase card transactions must be documented, reviewed, and approved by the principal;
- Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34, to the administrative secretary and promptly deposited in bank; and
- 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 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 office within 30 days of this report, with a copy to Dr. Myra J. Smith, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

Mr. Bowers
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LAYTONSVILLE ELEMENTARY SCHOOL

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Office of the Principal

November 12, 2014

MEMORANDUM

To: Roger Pisha, Supervisor, Internal Audit
From: Donna M. Sagona, Principal
Subject: Response to Recent Audit

We enjoyed having Ms. Bergstresser at Laytonsville Elementary to conduct our recent audit. She shared several best practices and reviewed important policies. The audit process was a positive learning experience for all staff involved. Below are the areas that we addressed based on the findings from the auditor:

Misuse of MCPS Form 280-54, Request for a Purchase

We conducted a staff meeting on October 14, 2014, and reviewed the proper use of this form with staff. Since the audit we have ensured that staff properly complete the form and obtain my signature prior to making a purchase of any kind. We will continue to review this process throughout the year as it becomes necessary. My administrative secretary has ordered and received a new "PAID" stamp and has resumed the use of the stamp.

Purchasing Card Logs

I have conferred with the staff who will use the MasterCard and instructed them that they need to follow the proper procedure for using the card or the card will be cancelled. I have instructed those staff members that I must be given receipts and the report in a timely manner and properly done. I will work throughout the year to tighten this process.

Controls over Cash Receipts

During the staff meeting on October 14, 2014, we reviewed with staff the procedure for collecting funds and transporting them to the administrative secretary in a timely manner. The administrative secretary has created copies of MCPS Form 280-41 *Field Trip Accounting* with the individual students entered onto the form for the teachers. This will enable them to make better use of the form when collecting money. The administrative secretary generally takes money to the bank daily, however, in the spring, a problem was encountered with funds and the submitted information. Money was held for a period of time in order for the problem to be solved, and the MCPS bookkeeper and the auditor were made aware. We will not do this in the future. Monies collected will be deposited unless under the amount permitted by MCPS. We also purchased a digital safe that is mounted in a closet in the principal's office.

Review of Field Trip Activities

During the October 14, 2014 staff meeting, we also reviewed the process for completing the information needed to properly document payments received for field trips. Staff will be reminded to submit the running record of payment and documentation for students who have not paid as well as the daily remittance form. Again, the creation of personalized forms will aid the classroom teacher in tracking this information. Staff will be reminded to submit the paperwork to the admin secretary at the conclusion of the field trip.

Thank you again for Ms. Bergstresser's services in assisting us with implementing best fiduciary practices.