


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

January 5, 2017

MEMORANDUM

To: Dr. Harold A. Barber, Principal
JoAnn Leleck Elementary School at Broad Acres

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

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2016, through November 30, 2016

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 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 meeting on December 29, 2016, with you and Mrs. Tam M. Nguyen, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated April 20, 2016, 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

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statements, bank reconciliation reports and ledger reports in a timely manner.

The review of these important reports must be evidenced by the principal's signature and date. We found that these reports were not consistently dated and signed. We recommend that you initiate a process to ensure that this important internal control process occurs monthly (refer to *MCPS Financial Manual*, chapter 20, page 9).

All IAF purchases must be approved in advance and in writing using MCPS Form 280-54: *Independent Activity Funds Request for a Purchase*. After an 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 (refer to *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements, we found instances in which purchases were made prior to receiving the approval from the principal. Also, we found receipts that were not annotated by recipients to indicate that purchased goods or services were satisfactorily received. We recommend that the IAF purchases comply with MCPS procedures.

In order to properly control receipts, all cash and checks collected by sponsors for IAF activities should be remitted promptly to the school administrative secretary. The amount of funds should be verified in the presence of the purchaser, and a receipt that is supported by MCPS Form 280-34: *Independent Activity Fund (IAF) Remittance Slip*, should be issued promptly. Remittances received should then be promptly deposited into the school's bank account. We found instances in which funds were held by sponsors rather than being remitted promptly to the school administrative secretary. All funds must be submitted on a daily basis and be 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 for prompt deposit to the school administrative secretary (refer to *MCPS Financial Manual*, chapter 7, page 4).

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 school support and improvement, 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

- Monthly financial reports must be signed and dated by the principal to indicate review.

- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Cash handling process must conform to chapter 7 of the *MCPS Finance Manual*.
- 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*, please provide a response to the Internal Audit Unit within 30 calendar days of this report, with a copy to Ms. Audra M. Fladung, director of school support and improvement of elementary schools. In your response, please share a detailed plan for addressing these issues including appropriate staff training and support. The Office of School Support and Improvement will follow up on this audit.

RWP:AMB:lsh

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

Ms. Diamond

Ms. Fladung

Mr. Tallur

Mr. Ikheloa

JoAnn Leleck Elementary School at Broad Acres
710 Beacon Road
Silver Spring, MD 20903

January 18, 2017

MEMORANDUM

To: Mr. Roger W. Pisha, Supervisor, Internal Audit

From: Dr. Harold A. Barber, Principal

Subject: Response to the Audit of Independent Activity Funds
for period March 1, 2016, through November 30, 2016

This memorandum is in response to JoAnn Leleck Elementary School at Broad Acres' Audit of Independent Activity Funds (IAF) for period March 1, 2016, through November 30, 2016. We have addressed the points raised since our last audit on December 29, 2016, as outlined in this memorandum. Please let me know if you have any questions or need additional information.

As suggested, the following procedures have been reviewed for implementation with fidelity. The monthly financial reports will be signed and dated by the principal to indicate review. The monthly account history reports will be provided to the sponsors of school activities for affirmation of transaction correctness and returned to the administrative secretary. Purchase requests will be approved by the principal prior to procurement. Funds collected by sponsors will be promptly remitted to the administrative secretary and promptly deposited in the bank. Field trip records prepared by sponsors will provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip. Additionally, accounting transactions will conform to the IAF chart of accounts.

As a result of the auditor's review, we will establish a procedure to ensure that all statements are reviewed and returned to the administrative secretary. In addition, staff will be encouraged to remit cash and checks collected for IAF activities daily to the administrative secretary for prompt deposit in accordance with MCPS policy and procedures. Trip sponsors will use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip. Trip planning will be reviewed to ensure established fees are commensurate with trip expenses. Finally, all disbursement related to staff meeting refreshments and staff appreciation will be recorded in the accounts designated for these items to enable monitoring of these sums.

Copy to:

Ms. Audra Fladung, Director of School Support and Improvement
Ms. Sharon Marable, Administrative Secretary III

Attachment

Fiscal Management Action Plan

School: JoAnn Leleck Elementary School at Broad AcresApproved by Director of School Support and Improvement: Principal: Dr. Harold A. BarberDate of approval: 1/19/17

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Monthly financial reports must be signed and dated by the principal to indicate review.	Monthly financial reports will be signed and dated by the principal to indicate review.	Once per month	Signed and dated statements.
Purchase requests must be approved by the principal prior to procurement.	At the time that verbal approval is sought from the principal, Form 280-54 will be prepared and signed by both requesting staff and the principal. The principal will ensure detailed documentation/rationale of the purchase is attached to the request. The invoices for the purchase will be signed and dated by the receiver.	As needed	Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver.
Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the administrative secretary and promptly deposited.	Cash collected will be counted in front of the receiver and a receipt will be issued at that time, by the administrative secretary. Cash will be submitted by sponsors on a daily basis, and the administrative secretary will make deposits, to include on the last working day of each month and before each weekend or holiday.	Daily sponsor submission of funds Immediate receipt of funds Deposits daily as needed, last working day of the month, and before holidays and weekends.	Receipts of funds submitted and bank deposit statements.
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 trip.	Sponsors will provide complete class or club rosters and note how much each student has paid, to include the date, and any waivers or scholarships for students. Also, sponsors will include if a student is not attending the trip or activity. Sponsors will also provide this at the completion of the trip and compare remittance recorded to the trip account history report. The data will be used by the sponsors and administrative secretary to plan for future trips. Sponsors will plan carefully to ensure that they do not overcharge or undercharge for a trip for students. Sponsors will use MCPS Form 280-41 to record trip fees and provide complete data at the end of each trip. Trip planning will be reviewed by the administrative secretary and the principal to ensure that fees are appropriate.	As needed for field trips	Completed Form 280-41 and any additional documents relevant to each trip.

Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.