


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

August 6, 2018

MEMORANDUM

To: Mr. Shawn D. Miller, Principal
Little Bennett Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
June 1, 2015, through May 31, 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 and are 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 July 17, 2018, meeting with you and Mrs. Maria M. Smith, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated September 14, 2015, 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

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account history report for each month in which transactions have been recorded in their accounts, or accounts have a balance. Sponsors are required to verify that transactions have been correctly recorded in their accounts (refer to *MCPS Financial Manual*, chapter 20, page 11).

We found this essential internal control procedure was not being used every month. We recommend that sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the statements should be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all statements are reviewed and returned

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (refer to *MCPS Financial Manual*, chapter 20, page 4). 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. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, prior approval was not consistently obtained and documentation was not annotated by recipient to indicate purchased goods or services were satisfactorily received. By requiring prior approval, the principal retains control over the expenditure of IAFs. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of cost, and signed by the principal at the time verbal approval is sought, and purchasers indicate on invoices satisfactory receipt of goods or services. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining your approval at the beginning of the school year. These budgets should be monitored by your school financial specialist and revised if necessary.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card User's Guide*. By the fifth business day of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements must be printed and provided to the principal, with all purchase receipts and invoices attached. The principal must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. We found that cardholders had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation program by the fifth business day. We also found that the principal had not approved all transactions online. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the school administrative secretary. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (refer to *MCPS Financial Manual*, chapter 7, page 5). We found that sponsors, at times, held funds collected rather than remitting them to the school administrative secretary on a daily basis. We also noted that the school administrative secretary was not always making deposits on the last working day of each month and before each weekend or holiday. To minimize the risk of loss, we recommend that all funds collected should be remitted daily to the school administrative secretary for prompt deposit in accordance with MCPS policy and procedures.

Summary of Recommendations

- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the school administrative secretary.
- 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 card activity must comply with the MCPS *Purchasing Card User's Guide*.
- Funds collected by sponsors must be promptly remitted to the school administrative secretary for prompt deposit (**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 Dr. Michael J. Zarchin, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Zarchin will indicate whether he will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school financial agent to support you with developing a well-defined plan to address the findings.

RWP:MJB: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
- Mr. Reilly
- Mr. Tallur
- Dr. Zarchin
- Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY18	Fiscal Year: FY18
School: Little Bennett ES - 336	Principal: Shawn D. Miller
OSSI Associate Superintendent: Darryl Williams	OSSI Director: Michael Zarchin
Strategic Improvement Focus: As noted in the financial audit for the period <u>6/1/15-5/31/18</u> , strategic improvements are required in the following business processes :	


Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Sponsor Reports - Reports will be copied on colored and white paper. The white copy will be given to the sponsor, with a return-by date. Once the copy is returned to the administrative secretary, the sponsor will be given the color copy as a receipt. An email will be sent to the sponsor, if not returned in a timely fashion.	Administrative Secretary and Sponsors	Color Paper	2 copies of each sponsor report.	Monitor monthly by Administrative Secretary	All sponsor sheets returned by due date.
Purchase Requests - All purchases will be requested prior to purchase. Teachers will be reminded of this process during pre-service and throughout the year. Purchases made without prior written approval will not receive reimbursement.	Principal Sponsors Administrative Secretary	Form 280-54 Request for Purchase will be provided to all staff	Form 280-54 Request for Purchase	Monitored by Principal and Administrative Secretary Visiting Bookkeeper	Form 280-54 will be monitored by Principal and Visiting Bookkeeper
Receipt of goods or services - Disbursement will not be made until an original receipt is provided.	Administrative Secretary	Original receipt is needed	Receipts	Monitored by Administrative Secretary and Principal	Original receipts given to Administrative Secretary and attached to Form 280-54.
Purchasing Card - By the fifth of the following month the Principal and Administrative Secretary will review the report. The principal will review each card holder's transactions and approve them by the tenth of the following month, using the on-line reconciliation program.	Principal and Administrative Secretary	Monthly Report J.P. Morgan	J.P. Morgan report	Monitored by the Principal, Administrative Secretary, and visiting bookkeeper	Online reports to be reviewed and approved.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Funds collected by sponsors - Staff will be reminded during preservice regarding procedure for funds collected. Team leaders will collect funds and remittance to be turned into the Administrative Secretary by 1:30 p.m.	Staff Principal Administrative Secretary	Remittance slips Financial Envelope	Completed roster of payment by students. Transmittal form completed for any funds collected i.e. field trips, donations, etc.	Staff Team Leader Administrative Secretary	Collection of funds in a timely manner Receipts inputted into system and funds deposited into the bank

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

Approved Please revise and resubmit plan by _____

Comments:

Director:  Date: 9-18-18