


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

May 8, 2015

MEMORANDUM

To: Ms. Renee D. Wallace-Stevens, Principal
North Chevy Chase Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2011, through March 31, 2015

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 May 7, 2015 with you, and Ms. Christina Haynes, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated June 15, 2011, 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

Internal control is a system of interconnected policies, regulations, procedures, and attitudes and actions of employees that work together to provide a system of checks and balances to achieve proper authorization of expenditures and safeguarding of assets. The principal is the individual

who has the overall fiduciary responsibility for the IAF (see MCPS Financial Manual, p. 20-3). We found an absence of controls over operations resulting in untimely bank deposits, checks and receipts issued out of numerical sequence, inadequate review of cash balances, and poor maintenance of financial records. We again recommend you initiate a monitoring process to enforce IAF policies, regulations, and procedures in order to promote timely and accurate reporting of data.

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 record expenditures in appropriate accounts and ensure IAF compliance requirements. Invoices for goods and services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, we found that prior approval was not consistently obtained. Some invoices were missing, and others were not always signed by the receiver. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought.

Purchase card transactions were audited based upon requirements of the previous MCPS provider. Cardholders were to record purchases on transaction logs and submit them monthly with invoices and receipts attached for review and approval by the principal. Monthly summary reports were to be reviewed, signed and dated by the principal to ensure that purchases were appropriate and within established limits. We were unable to locate several monthly logs as well as some invoices. Also, the principal's logs were not forwarded to the associate superintendent for review and approval. The current MCPS purchase card provider replaces the manual log with online transaction reconciliation. We recommend compliance with the requirements of the MCPS *Purchasing Card Users Guide*.

Cash and checks collected for IAF activities by sponsors must be remitted to the administrative secretary together with MCPS Form 280-34, *Remittance Slip*, on the day the funds are received. These receipts must be deposited promptly, and always on the last working day of each month and before each weekend or holiday (see MCPS Financial Manual, p.7-4). An inspection of records disclosed that some sponsors were using an obsolete version of Form 280-34, and others used the current form but failed to enter all the required information. When processing the Forms 280-34, the administrative secretary often did not sign and date them to certify the receipt of funds, and frequently failed to enter the receipt number on them. Funds were also held for several days before recording their receipt in the IAF accounting system and depositing them in the bank. To minimize the risk of loss, we recommend that all funds collected should be remitted, processed and deposited in accordance with MCPS policy and procedures.

Once written, a check or receipt shall not be erased or altered. If an error is discovered, the check or receipt should be marked "void" and a replacement issued. Any misprinted check or receipt should be entered into the accounting system, and the voided check or receipt form should be defaced and retained. We found that this practice was not being followed. In many

cases, the computer-generated check or receipt number did not agree with the stock number. We recommend that checks and cash receipts written in error be properly voided in accordance with the MCPS Financial Manual pp. 7-4 and 20-6.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Following internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. Each fund-raiser should be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund-raising activity should be recorded in a separate account in the 7000 series with a completion report prepared that analyzes the results (see MCPS Financial Manual, p. 20-12). We found that there was a lack of adherence to these guidelines. Instead of establishing an account and a file for each fund-raiser, the administrative secretary recorded all the fund-raiser transactions in SGA Account 3500, and filed all the documentation in the SGA folder. We could not locate several fund-raiser request forms and completion reports. No analysis could be performed on the fund-raisers because the file folder did not have a copy of a price list of salable merchandise or a schedule of items sold for any of the fund-raisers. Moreover, the sponsors did not provide any comments concerning giveaways and damaged merchandise or shortfalls of expected profits. We recommend following the procedures outlined in the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*.

Sponsors of field trips 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 (see MCPS Financial Manual, p. 20-9). 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. A review of field trip activities disclosed that in several cases, the final comprehensive financial information was not prepared by sponsors, and most reports did not appear to have been analyzed by the administrative secretary. As previously reported in our prior audit, we again recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above. In addition, we recommend the administrative secretary complete a reconciliation of field trip activity as soon as the final comprehensive data is received from the sponsor (see MCPS Financial Manual, p. 20-9).

Summary of Recommendations

- IAF must be managed in accordance with sound accounting practices and effective internal control procedures (repeat);
- Purchase requests must be approved by the principal prior to procurement, and purchasers must indicate receipt of goods or services prior to disbursement (repeat);
- Purchase card activity must be in compliance with the MCPS *Purchasing Card User's Guide* (repeat);

- Funds must be promptly remitted by sponsors and promptly verified, receipted and deposited in the bank by the administrative secretary (repeat);
- Checks or receipts with errors must be voided according to the MCPS Financial Manual;
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*; 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. Donna S. Hollingshead, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:AB:sd

Copy to:

Dr. Zuckerman
Dr. Navarro
Dr. Statham
Dr. Hollingshead
Mr. Sanderson
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit

North Chevy Chase Elementary School

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MEMORANDUM

TO: Dr. Donna Hollingshead, Associate Superintendent
From: Renee E. Wallace-Stevens, Principal *RWS*
Subject: Response on Audit of Independent Activity Funds for the Period
May 1, 2011, through March 31, 2015

This letter is in response to the report on audit of Independent Activity Funds (IAF) for the period of May 1, 2011 through March 31, 2015. Please be informed that during this period we were working with a financial system new to Montgomery County Public Schools.

After careful review of the report with Christina Haynes, administrative secretary, the following procedures are in place to be in compliance with regulations outlined in the IAF manual;

- Ms. Haynes now has an office giving her a permanent location to complete all financial transactions daily and more accurately.
- Ensuring form 280-54, Request for a Purchase, has been completed prior to the purchase
- Not approving the purchase card transactions without first approving form 280-54 and having it attached to the log
- Working more with the sponsors to ensure they submit all funds collected daily and form 280-34, Remittance Slip, is completed and signed and submitted to Ms. Haynes by 1:30
- Ensuring all sponsors are reviewing their perspective sponsor report for accuracy and submitting them monthly
- All fundraising sponsors will receive a copy of the fundraising manual and must follow everything outlined at the beginning of each fundraiser. Once the fundraiser is completed the sponsor will follow-up with the principal
- Ms. Haynes and I will take a financial re-fresher class this summer

We are continuing to work tirelessly on improving the matters stated in the audit report. This is of the utmost importance to us. Please advise if you need additional information.

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Internal Audit Office