


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

August 25, 2015

MEMORANDUM

To: Ms. Lily V. Lake-Parcan, Principal  
Neelsville Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
September 1, 2013, through April 30, 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 August 20, 2015, with you, Mrs. Irene Holt, financial specialist, and Mr. John Taylor, principal intern, we reviewed the status of the conditions described in our prior audit report dated October 9, 2013, 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

Reconciliation of the school's monthly bank checking account statement must be completed by a person independent of daily accounting transaction input. Monthly reports, including the bank reconciliation, are to be presented to the principal no later than the 20<sup>th</sup> of the month following

the close of each month. The principal shall review these reports, sign and date them to indicate this review, and return them to the financial specialist to be filed with other monthly reports (see MCPS Financial Manual, pp. 20-9, 20-27). We found that bank reconciliations were not completed timely, and found no clear evidence that the reconciliation was completed independent of the financial specialist. In addition, other monthly reports were not consistently signed and dated, or were signed late. We recommend that a staff member be designated to perform the bank reconciliation each month as soon as all entries through the last day of the month have been recorded by the financial specialist.

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. 20-4). 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 random sample of disbursements, we found prior approval was not obtained when required for some purchases and invoices were not always signed by the receiver. By requiring prior approval and sponsor review of invoices, 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, and that sponsors initial invoices to attest to their accuracy prior to submission to the financial specialist for payment to the vendor.

Cash and checks collected by sponsors and other authorized individuals for IAF activities shall be remitted promptly and intact to the financial agent on the same day they are received to minimize the risk of loss or theft (see MCPS Financial Manual, p. 7-4). We found that controls over cash receipts continue to need improvement. Staff collecting funds for field trips, sales of spirit wear, a staff water club, and a charity drive were holding funds rather than remitting them timely to the financial specialist. We recommend staff be encouraged to submit cash and checks collected for IAF activities to the financial specialist for prompt deposit in accordance with MCPS policy and procedures.

Field 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 financial specialist when a trip is completed (see MCPS Financial Manual, p. 20-10). Sponsors should have a complete class or club roster of student names and annotate how much each student paid by cash, check, or online, the date funds were collected, students who did not attend the field trip, and students who received waivers or reduced fees. The record of the names of participants and sums collected provides assurance that all field trip fees have been remitted. Review of field trip activities revealed that although sponsors are now providing comprehensive financial information to the financial specialist at the completion of a trip, spreadsheets did not always include the dates collected and the method of payment. Also, the approval by the associate superintendent for an out-of-area trip was not retained on file in the financial office, and we continued to find trips where fees collected exceeded the cost of the trips. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above. We also recommend

the pricing of trips be more closely monitored and any excess fees be refunded or transferred to another activity or trip taken by the same students.

Admission receipts for school events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. These events must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and perpetual inventory of tickets. For ticketed events, the forms on file appeared to have been initiated after the conclusion of the activity, rather than when tickets were issued by the ticket controller to the admissions manager. In many instances, the dates signed by the ticket controller, admissions manager, and report auditor do not appear to be the actual dates the related tasks had been completed. Handwritten forms prepared by the ticket controller to issue tickets to the admissions manager were not retained on file. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events.

#### Summary of Recommendations

- Monthly checking account reconciliation must be timely performed by someone other than the financial specialist;
- 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;
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the financial specialist (repeat);
- Field trip records should be prepared by sponsors using MCPS Form 280-41: *Field Trip Accounting* or equivalent, and must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip (repeat);
- Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses (repeat); and
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

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. Darryl L. Williams, associate

superintendent of secondary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:DKH:sd

Copy to:

Dr. Zuckerman

Dr. Statham

Dr. Navarro

Dr. Williams

Mrs. Chen

Mrs. DeGraba

Mrs. Milwit

Mrs. Thomas

## Fiscal Management Action Plan

School: Neelsville Middle School

Principal: Vicky Parcan

Approved by community superintendent: \_\_\_\_\_ Date of approval: \_\_\_\_\_

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Monthly checking account reconciliation must be timely performed by someone other than the financial specialist.	Monthly checking account reconciliation is now being performed by our IDA.	This began right after audit meeting.	August 2015 checking account reconciliation was balanced September 18, 2015.
Monthly financial reports must be signed and dated by principal to indicate review	Principal will sign and date monthly financial reports.	Since the audit report, principal has signed and dated monthly financial reports.	FY16 and forward will show evidence, of timely signature and date by principal on the monthly financial reports
Purchase requests must be approved by the principal prior to disbursement.	Principal will approve purchase request prior to procurement.	Since, the audit report, principal is approving purchase requests prior to procurement.	FY16 and forward will show evidence of the principal approving purchase requests prior to procurement.
Purchaser must confirm receipt of goods and services prior to disbursement.	Purchaser will make sure to sign receipt to indicate satisfactory receipt of goods.	Since, the audit report, purchasers are signing and approving disbursement.	FY16 and forward will show evidence of the purchaser confirming receipt of goods before disbursement.
Funds collected must be promptly remitted by sponsors to the financial specialist.	Staff will be reminded to make deposits daily and as early in the day as possible so that the financial specialist can make deposits promptly	Since, the audit report, sponsors have been making daily deposits.	FY16 and forward will show evidence of timely deposits by sponsors.
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.	Field trip sponsors will include accurate data on all eligible students including financial aid and student waiver information on MCPS Form 280-41 "Field Trip Accounting" to ensure accurate field trip accountin	Since the audit report, field trip accounting procedures have been reiterated and have improved in FY 16. The field	FY 16 and forward will show evidence of improved field trip data.

			trip sponsors will include accurate data on all eligible students and will reconcile funds collected with costs of the trip.	
Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses.	Field trip sponsors will use the FY 16 field trip calculator to ensure that the fees collected do not exceed the cost of the trip.	Since the audit report, the field trip sponsors are using the FY16 field trip calculator and the trip fees are not exceeding the cost of the trip.	FY 16 and forward will show evidence that field trip fees will be closely aligned with the cost of the trip.	
Admission events must be conducted in accordance with MCPS Regulation DMB-RA	The procedures for sale of tickets will be reviewed with appropriate staff prior to event and all ticket sales will be tracked and reconciled on the required form according to the regulation.	Since the audit report, Admission and Events procedures have been reiterated and have improved in FY 16.	FY 16 and forward will show evidence of improved Admission Events reporting.	

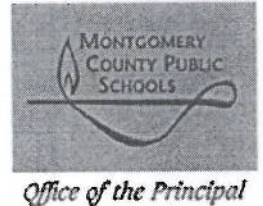
*Note: A copy of the approved plan is to be sent to the Internal Audit Office, URSC , Suite 3380*



# Neelsville Middle School

## An International Baccalaureate World School

11700 Neelsville Church Road  
Germantown • Maryland 20876  
Phone: 301-353-8064



### MEMORANDUM

To: IAF Account Sponsors  
Through: L. Victoria Lake-Parcan, Principal  
From: Irene Holt, Financial Specialist  
Subject: Independent Activity Fund (IAF) Procedures for SPONSORS

**Each Independent Activity Fund (IAF) account sponsor must comply with MCPS procedures for handling monies. Monies must be deposited in the school's Independent Activity Fund (IAF). The following procedures must be followed (necessary forms are available on T-Shared and in the financial office):**

#### **PURCHASES**

- (1) All expenditures over \$25 must be **approved in writing by the Principal, in advance of ordering or purchasing.** Use MCPS *IAF Request for a Purchase* (form 280-54). Sponsors should sign on the SIGNATURE line (as *Requester*) to approve expenditures from their account.
- (2) All contracts must be signed by the Principal.
- (3) Anyone (parents, sponsor, staff, etc.) who orders, purchases, or commits the school to anything without the necessary permission and/or without money in the account is responsible for payment.

**RECEIPTS** – All cash/checks collected must be deposited with the Financial Specialist **daily**; money collected may not be spent for direct purchases. Unlocked money should **not** be left in a classroom or office during the day and **never overnight**. All collected money should be turned in by a staff member. Do not allow students to turn in money. When money is being collected from a group, use MCPS *Remittance Slip* (form 280-34) and attach an EXCEL sheet with names and amounts. MCPS Accounting (form 280-41) may be used for simple collections.

**EXPENDITURES** – Reimbursements will be made by school check and will **not** include sales tax. Documentation (original cash register receipt, purchase order, invoice, etc.) to support the disbursement must be submitted with a copy of the pre-approved check request. Invoices/Receipts should be marked "Received", signed and dated by the account sponsor to authorize payment.  
There will be no reimbursements for Sales Tax paid on school purchases.

#### **RECORDS**

- (1) The sponsor must verify the information on the monthly IAF reconciliation report by checking receipts and disbursements and then return the signed copy of the report to the Financial Assistant – **within 2 business days.**
- (2) The sponsor will be issued a folder for their account. A MCPS form 281-21 is included in the sponsor folder to track and manage funds. It is the sponsor's responsibility to retain the folder for the entire school year along with receipts, packing slips, and other documentation of transactions. The folder must contain the monthly financial statements with copies of all receipts, check requests and transfers attached.
- (3) Sponsor account records must be current and available for review at any time during the year by MCPS Department of Internal Audit.

**SPONSOR CLEARANCE** – **Folders/Reports must be turned in to the Financial Specialist to close out the event.** Account sponsors must complete annual reports that may include accounts receivable, accounts payable (including any sales tax owed on sales), inventory, profit and loss report (if applicable), and *Field Trip Reconciliations* before clearing at the end of the school year.

Thank you in advance for your attention to these very important details.