


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

June 30, 2016

MEMORANDUM

To: Mr. Robert S. Geiger, Principal
New Hampshire Estates Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2015 – May 31, 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 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 June 29, 2016, with you and Mrs. Maria Garcia, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated February 24, 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

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, bank reconciliation report and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date. We

found that these reports were not always signed, and when signed were not always timely. We recommend you initiate a process that insures this important internal control process occurs monthly (see MCPS Financial Manual, p. 20-9).

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly and intact to the administrative secretary together with MCPS Form 280-34, *Remittance Slip*. Receipts should be issued and funds deposited in the bank. We found instances in which some sponsors were holding funds collected rather than remitting them to the administrative secretary on a daily basis as well as a delay in issuance of some receipts. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual (see MCPS Financial Manual, p. 7-4). To reduce the workload of cash handling requirements for sponsors and administrative secretary, we further recommend using Online School Payment (OSP).

Sponsors of field trips should have a complete class roster of student names and annotate how much each student paid, students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be turned in to the administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report. Trip expenses should be paid entirely from the trip account. We again found not all sponsors are turning in completed data at the conclusion of each trip, and that data is not being compared to the final account history report. We found that bus expenses were not paid entirely from the trip account so that trip losses were not clearly visible. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, and provide complete data at the conclusion of each trip. This data must be reconciled with remittances recorded in activity accounts. Trip expenses should be paid from the trip account and funds transferred to the trip account if another account is contributing to the trip expenses.

Summary of Recommendations

- Monthly financial reports must be signed and dated by the principal to indicate review;
- Cash control of school funds must be in accordance with chapter 7, MCPS Financial Manual;
- Cash handling by sponsors and administrative secretary can be reduced using OSP; 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.

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 Mr. Michael Bayewitz, director of elementary schools. The Office of School Support and Improvement will follow up on this audit.

Mr. Robert S. Geiger

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June 30, 2016

RWP:SY:rp

Copy to:

Dr. Zuckerman

Dr. Statham

Dr. Navarro

Dr. Kimball

Mr. Bayewitz

Mrs. Chen

Mrs. DeGraba

Mrs. Milwit

Memorandum

July 28, 2016

To: Roger W. Pisha, Supervisor, Internal Audit

From: Robert S. Geiger, principal *RS*

Subject: Response to Report on Audit of Independent Activity Funds for the Period January 1, 2015 – May, 31, 2016

As a result of the findings and recommendations of the audit of our Independent Activity Funds, we will take the steps delineated below to ensure that our school is compliance with MCPS policies and procedures.

The audit found that monthly financial reports were not always signed, and when signed were not always signed in a timely way. The report recommended that monthly financial reports must be signed and dated by the principal to indicate review. I have discussed this with our new administrative secretary, Edwin Hernandez, and he and I will communicate on the 19th of each month regarding the Bank Reconciliation and General Ledger reports to ensure that I sign them by the 20th of each month. I will also sign and date the first page of the bank statement to indicate review, and I will review and sign the monthly reports.

The audit found that some sponsors for IAF activities were holding funds collected rather than remitting them to the administrative secretary on a daily basis and that the issuance of some receipts was delayed. The report recommended that we adopt the procedures of the MCPS Financial Manual. We will implement cash control of school funds in accordance with the MCPS Financial Manual. We will review expectations with staff.

The report also recommended using Online School Payment (OSP) to reduce cash handling by sponsors and the administrative secretary. For many of our parents, using OSP is not a viable option. However, we will set up OSP for our school and encourage use of OSP to the extent possible.

The audit found that not all field trip sponsors are turning in completed data and that the data is not always being compared to the final account history report. Following the report recommendations, we will use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, and provide complete data at the conclusion of each trip that account for all students eligible to participate. We will reconcile funds collected with the costs of the trip. We will document students receiving a fee waiver. We will communicate with staff concerning these expectations.

Copy to:

Mr. Bayewitz

Mr. Hernandez