


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

July 5, 2017

MEMORANDUM

To: Mr. Alton E. Sumner, Principal
North Bethesda Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2015, through May 31, 2017

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 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 June 28, 2017, meeting with you and Mrs. Julie E. Johnson, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated April 14, 2016, 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

MCPS Form 280-54: *Independent Activity Funds Request For A Purchase*, is used to obtain the principal's approval to proceed with an intended 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 financial specialist (refer to *MCPS*

Financial Manual, chapter 20, pages 4 and 6). In our sample of disbursements, we found instances in which purchases were made prior to receiving the principal's approval. In addition, we found receipts that were not annotated by the purchaser to indicate that purchased goods or services were satisfactorily received. We recommend that action is taken to bring purchasing into compliance with MCPS requirements.

In order to properly control funds, all cash and checks collected by sponsors for the IAF activities should be remitted promptly to the school financial specialist. These funds should then 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. We found instances in which funds were held by sponsors rather than being remitted in a timely manner to the school financial specialist on a daily basis, and not always 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 to the school financial specialist and promptly deposited (refer to *MCPS Financial Manual*, chapter 7, page 4).

Summary of Recommendations

- 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 to the school financial specialist **(repeat)**.
- Funds remitted by sponsors must be promptly verified, receipted, and deposited in the bank by the school financial specialist **(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 through Dr. Michael J. Zarchin, director of school support and improvement of middle 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

Mr. Alton E. Sumner

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July 5, 2017

Dr. Williams
Mrs. Camp
Mrs. Chen
Ms. Diamond
Dr. Zarchin
Mr. Tallur
Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

School: North Bethesda Middle School	Principal: Alton E. Sumner	Fiscal Year: FY18
Associate Superintendent: Darrell L. Williams	Director: Michael J. Zarchin	

Strategic Improvement Focus:

As noted in the financial audit for the period December 1, 2016 – May 31, 2017, strategic improvements are required in the following business processes :

- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods prior to disbursement.
- Funds collected by the sponsor must be promptly remitted to the School Financial Specialist.
- Funds remitted by the sponsor must be promptly verified, receipted, and deposited in the bank by the School Financial Specialist.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
At staff meetings and at the start of all field trips and fundraisers, staff members will be reminded of the requirement to have preapproval for purchases by means of the Form 280-54, an approved budget, or a Memo of Understanding.	Principal and School Financial Specialist	None	The financial specialist and principal will review request/purchase dates carefully and will reject reimbursement requests, if needed.	Principals and School Financial Specialist - on a daily basis.	Evidence of success will include the elimination of reimbursement requests made after purchase.
Prior to disbursement, sponsors will provide a packing slip signed to indicate receipt of all materials or will sign the invoice as, "OK to pay."	Principal and School Financial Specialist	None	Principal will check invoice for "OK to pay" notation.	Principal - Prior to approving payment.	All invoices noted, "OK to pay."
At staff meetings and at the start of all field trips and fundraisers, staff members will be reminded of the requirement to remit daily all funds collected.	Principal and School Financial Specialist	None	Final analysis of field trips and fundraisers will include a review of remittance frequency.	School Financial Specialist – at close of each FT or FR.	More frequent/partial remittances for FTs, FRs rather than whole class/huge amounts at once.
Financial Specialist will promptly verify, receipt, and deposit all funds remitted.	School Financial Specialist	None	Periodic sampling of remittance/deposit records.	Principal - quarterly	Never more than \$250 held in safe overnight and none over weekends.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence

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

Approved
 Please revise and resubmit plan by _____

Comments: _____

Director:  _____ Date: 7-11-17