


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

November 13, 2018

MEMORANDUM

To: Dr. AnneMarie K. Smith, Principal  
North Bethesda Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
June 1, 2017, through September 30, 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 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 the IAFs are administered in accordance with Board of Education policies, MCPS regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with 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 any significant errors or omissions in the financial records are detected.

At our October 31, 2018, meeting with you, and Mrs. Robin K. Krakower, school financial specialist, we reviewed our prior audit report dated July 5, 2017, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2018, and Mrs. Krakower's appointment as school financial specialist was effective September 20, 2018. 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 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. Upon

disbursement, the documentation is to be stamped or marked "paid" to preclude duplicate payment (refer to *MCPS Financial Manual*, chapter 20, page 6). In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal, and receipts were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received. We recommend that the IAF purchases comply with MCPS procedures.

To properly control funds, all cash and checks collected by sponsors for IAF activities should be remitted promptly to the school financial specialist. These funds should then be verified in the presence of the remitter, and a receipt that is supported by MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, should be issued promptly (refer to MCPS Financial Manual, chapter 7, page 4). We found instances in which funds were held by sponsors rather than being remitted on a daily basis to the school financial specialist 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 for prompt deposit.

#### Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Funds collected by sponsors must be promptly remitted to the school financial specialist (**repeat**).
- Remitted funds 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*, 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 Mrs. Michelle E. Schultze, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mrs. Schultze will indicate whether she will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school financial specialist to support you with developing a well-defined plan to address the findings.

RWP:AMB:ish

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

Mrs. Schultze

Mr. Tallur

Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> FY19	<b>Fiscal Year:</b> FY19
<b>School:</b> North Bethesda MS - 413	<b>Principal:</b> Dr. AnneMarie Smith
<b>OSSI Associate Superintendent:</b> Dr. Darryl Williams	<b>OSSI Director:</b> Mrs. Michelle Schultze
<p><b>Strategic Improvement Focus:</b>          As noted in the financial audit for the period <u>7/1/17-9/30/18</u>, strategic improvements are required in the following business processes :</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<ul style="list-style-type: none"> <li>•Purchase Requests must be approved by Principal prior to Procurement.</li> <li>Send school wide communication via email outlining requirements for 280-54 completion. Reiterate the importance of completing prior to purchase or risk denial of reimbursement.</li> </ul>	Principal and School Financial Specialist	None	The financial specialist and principal will monitor requests and receipt dates to ensure compliance and reject when necessary.	Principal and School Financial Specialist - daily	Compliance will be measured by eliminating requests made after purchases.
<ul style="list-style-type: none"> <li>•Purchaser must confirm receipt of goods and services prior to disbursement</li> <li>When possible, deliveries are held in the Finance Office for pickup and signature confirming receipt.</li> <li>In all cases, ensure that sponsor signs invoice or packing slip indicating receipt of goods or services.</li> </ul>	Principal and School Financial Specialist	None	Principal will review for receipt acknowledgment when signing checks	Principal - prior to approving payment	All invoices/packing slips are signed and dated by recipient.
<ul style="list-style-type: none"> <li>•Funds collected by sponsors must be promptly remitted.</li> <li>Financial specialist will communicate the need to remit funds daily at the start of fundrasier or field trip. Utilize Online School Payments when possible to reduce manual transfer of funds from sponsor to Finance office.</li> </ul>	Principal and School Financial Specialist	None	During collection periods follow up with sponsor if deposits are not remitted daily.	School Financial Specialist - ongoing during field trip or fundraiser collection.	Increased number of remittances as funds are brought to Financial Specialist daily.
<ul style="list-style-type: none"> <li>•Remitted funds must be promptly verified and deposited.</li> <li>Financial specialist will promptly verify, receipt and deposit all funds remitted.</li> </ul>	School Financial Specialist	None	Principal will conduct periodic reviews of remittance and deposit records.	Principal - quarterly	Daily trips to bank to ensure cash on hand does not exceed allowable amount.

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

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

Approved     
  Please revise and resubmit plan by \_\_\_\_\_

Comments:

Director: *Michele [Signature]*      Date: *12-13-18*