


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

July 5, 2016

MEMORANDUM

To: Mrs. Cheryl D. Pulliam, Principal
Oakland Terrace Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2012, through 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. Catherine Donohue, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated October 2, 2012, 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

Analysis of the school checking account for the previous twelve months indicated balances exceeded immediate needs. Keeping high balances in the checking account limits the amount of interest the school could be earning in the MCPS Centralized Investment Fund (CIF). We recommend depositing excess funds in the CIF to maximize interest income. When needed to pay expenses, these funds are available for prompt return to the school (see MCPS finance Manual, p. 7-5).

If an independent contractor is not currently listed in School Funds Online (SFO) as a districtwide vendor, IRS Form W-9 must first be obtained and forwarded to the Division of Controller (DOC) prior to making any payment. The DOC annually reviews payments made to all districtwide vendors for issuance of IRS Forms 1099 in compliance with federal tax reporting requirement (see MCPS Regulation DIA-RB, *Payment for Personal Services and Reimbursements for Expenses from School IAFs*). Among your disbursements, we found that payments for services to independent contractors did not follow these procedures. We recommend that payments for personal services be made and reported in compliance with the applicable regulations and procedures (see MCPS Financial Manual, p. 20-15).

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card Users Guide*. By the fifth of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements must be printed and provided to the principal, with all purchase receipts and invoices attached. The principal must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. We found the cardholders had promptly prepared their monthly statements, provided their purchase receipts, and reviewed their transactions in the online reconciliation program. However, we found that the principal had not approved all transactions online. Action is needed to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with MCPS Form 280-34, *Remittance Slip*, to the administrative secretary on the day the funds are received. We found instances in which staff collecting funds for trips were holding rather than remitting them timely to the administrative secretary. We also noted that receipts and other source documents were not always included to support Forms 280-34, and were not filed in sequential order. We recommend that all staff who collect funds for school activities be reminded of remittance requirements and that document filing complies with MCPS guidelines (see MCPS Financial Manual p. 7-4).

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We found that there was a lack of adherence to the approval and completion reporting guidelines. Following these 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. 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. Approval and completion reports should be retained in the school office (see MCPS financial manual, p. 20-12).

Review of field trip activities again revealed that not all field trip sponsors are providing completed financial information to the administrative secretary at the completion of a 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 administrative secretary when a trip is completed see (MCPS Financial Manual, p. 20-10). 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.

In addition, the administrative secretary should perform a reconciliation of the activity at its conclusion. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above.

Summary of Recommendations

- CIF should be used to deposit excess funds;
- Independent contractor payments must comply with MCPS Regulation DIA-RB;
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*;
- Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the administrative secretary;
- 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 Mr. Matthew Devan, director of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:GB:rp

Copy to:

Dr. Zuckerman
Dr. Statham
Dr. Navarro
Mr. Ikheloa
Dr. Kimball
Mrs. Chen
Mrs. DeGraba
Mr. Devan
Mrs. Milwit

Oakland Terrace Elementary School

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Office of the Principal

August 5, 2016

MEMORANDUM

To: Mr. Roger W. Pisha, Supervisor, Internal Audit
From: Mrs. Cheryl D. Pulliam, Principal
Subject: Response to Audit of Independent Activity Funds for the Period
September 1, 2012 through May 31, 2016

I am writing in response to the findings and recommendations of the Audit Report dated July 5, 2016. The following is a summary of the recommendations along with the plan for adhering to MCPS policies, regulations, and procedures.

Analysis of the school checking account for the previous twelve months indicated balances exceeded immediate needs.

Excess funds will be deposited in the CIF to maximize interest income as needed and/or yearly.

Payments for services to independent contractors did not follow procedures.

Payments were made in August 2014 and August 2015 for Spanish translation of (2) Back To School Newsletters. Procedures will be followed in compliance with Regulation DIA-RB, *Payment for Personal Services and Reimbursements for Expenses from School IAF's*.

Approval of Purchasing Cards On-Line had not been completed by principal.

Monthly statements, purchase receipts, and invoices provided to the principal will be reviewed and approved by the tenth(10th) of the following month using the on-line reconciliation program in accordance with the requirements of *MCPS Purchasing Card User's Guide*.

Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the administrative secretary.

Cash collected will be counted in front of the receiver and a receipt will be issued at that time, by the administrative secretary. Cash and checks collected for IAF will be submitted using MCPS Form 280-34 by sponsors on a daily basis, and the administrative secretary will make daily deposits.

Fundraising must conform to Guidelines for Sponsoring an IAF Fund-Raiser.

Fundraising approval for the end of year 5th Grade Field Trip was given verbally, but not in writing. Approval will be given in writing and both approval and completion reports will be retained in the school office.

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.

Staff training pertaining to submitting field trip records will once again be conducted during our pre-service meetings. In addition, I will revisit and provide feedback each month during our monthly staff meetings to ensure on-going accountability and growth in this area. Staff will be given all field trip guidelines and it will be posted on t-shared as well.

cc: Matthew Devan