


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 2, 2017

MEMORANDUM

To: Ms. Candace M. Ross, Principal
Kensington Parkwood Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2015, through August 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 October 27, 2017, meeting with you and Ms. Julia A. Kerns, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated October 2, 2015, and the status of present conditions. It should be noted that your appointment as principal, and that of Ms. Kerns as school administrative secretary were both effective July 1, 2017. 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 principal approval to proceed with an intended purchase (refer to *MCPS Financial Manual*, chapter 20, page 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. Adequate documentation must be provided to support payment, such as original itemized receipt or invoice, and should indicate that goods or services were received in the quantity and quality required. A check may then be drawn, and it must bear two signatures, one of which is that of the principal or acting principal. The school administrative secretary will mark the documentation as “paid” once a check has been written. In our sample of disbursements, prior approval was not consistently obtained, supporting documentation was not always complete or adequate, invoices were not always signed by the recipient to indicate the purchased goods were satisfactorily received, and supporting documentation was not always stamped or marked “paid.” By requiring approval prior and complete documentation, the principal retains control over the expenditure of IAFs. We recommend that MCPS Form 280-54 be prepared by staff and signed by the principal at the time verbal approval is sought, that complete documentation be attached to the MCPS Form 280-54 prior to payment, that invoices be signed and dated to indicate receipt of goods or services, and that supporting documentation be stamped “paid” when a check has been issued.

In accordance with MCPS Regulation DIA-RB, *Payments for Services and Reimbursements for Expenses from School Independent Activity Funds*, payments to MCPS employees must be processed through the MCPS payroll system to ensure compliance with federal tax requirements regarding the reporting of income and the withholding of taxes. We found several instances in which an MCPS employee was paid directly from the IAF for services provided for a school performance. We recommend following the payroll procedures published by the Employee and Retiree Service Center.

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 requirements (refer to MCPS Regulation DIA-RB, *Payments for Services and Reimbursements for Expenses from School Independent Activity Funds*). Among the disbursements, we found that payments for services to independent contractors did not follow these procedures. We recommend that payments to independent contractors be made and reported in compliance with the applicable regulations and procedures (refer to *MCPS Financial Manual*, chapter 20, page 15).

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 school administrative secretary on the day the funds are received. The school administrative secretary must promptly deposit these funds into the school’s bank account. We noted that MCPS Form 280-34 was not used when remitting funds to the previous school administrative secretary. We also noted that sponsors collecting funds for trips were at times holding rather than remitting them timely to the previous school administrative secretary who, in turn, was not making timely bank deposits. We recommend that all staff who collect funds for school activities remit them with MCPS Form 280-34 in a timely manner to the school administrative secretary for prompt deposit into the school’s bank account (refer to *MCPS Financial Manual*, chapter 7, page 4).

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Student Organization Trips*. Trip approval forms signed by the principal, and the director of school support and improvement, when required, should be retained. Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, date paid, eligible students who did not participate in the trip, and students who received waivers, scholarships, or reduced fees. This data together with a list of all chaperones and volunteers should be provided to the school administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report (refer to *MCPS Financial Manual*, chapter 20, page 10). We found that not all sponsors are providing completed data at the conclusion of each trip, and that data is not being compared to the final account history report. We recommend that all sponsors be required to use MCPS Form 280-41: *Field Trip Accounting*, or equivalent, and follow the procedures outlined above.

Sponsors of field trips should have a complete class or club 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 school administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report. The data also should be used to estimate future trips. We found that not all sponsors are submitting completed data at the conclusion of each trip, and that data is not being compared to the final account history report. 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 for reconciliation with remittances recorded in activity accounts.

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**).
- Purchase invoices must be annotated as “paid” to indicate disbursement was made (**repeat**).
- Purchase documentation must be adequate to support disbursements.
- Payments to MCPS employees must be processed through the MCPS payroll system.
- Independent contractor payments must comply with MCPS Regulation DIA-RB (**repeat**).
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the school administrative secretary (**repeat**).
- Funds remitted by sponsors must be promptly verified, receipted, and deposited into the bank by the school administrative secretary.
- 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 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 Dr. Sarah E. Sirgo, director of school support and improvement of elementary schools. Based on the audit recommendations, Dr. Sirgo 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 administrative secretary to support you with developing a well-defined plan to address the findings.

RWP:SMY:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Dr. Kimball

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Reilly

Dr. Sirgo

Mr. Tallur

Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 11/28/2017	Fiscal Year: 11/28/2017
School: Kensington Parkwood ES - 783	Principal: Candace Ross
OSSI Associate Superintendent: Dr. LaVerne Kimball	OSSI Director: Dr. Sarah Sirgo
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>9/1/15 -8/31/17</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
Purchase requests, must be approved by the principal prior to procurement. Any requests for reimbursement not previously approved will not be reimbursed.	Principal, Administrative Secretary	Form 280-54	Requester must present Form 280-54 at time approval is sought.	Principal and admin secretary will hold weekly meetings to review all requests and monthly book keeper meetings	Complete Form 28-54, with documentation of purchase
Purchaser must confirm receipt of goods or services prior to disbursement. Deliveries will be logged in on a "Delivered Items" log & opened first by main office staff. Packing slip will be dated, checked and initialed. Secretary will ensure items are delivered to staff member, packing slips checked, and a copy with staff initials returned	Requesting Purchaser	Form 280-54	Purchaser will sign supporting documentation to confirm receipt of goods or services and promptly submit to Admin Secretary with pre-approved Form	Principal and administrative secretary	Signed documentation of purchase
Purchase invoices and receipts must be annotated as "Paid" to indicate disbursement was made. The secretary will use a PAID stamp, initial, and date and keep in a binder labeled Fiscal Year and organized by date.	Administrative secretary	Stamp "paid"	All supporting documentation will be annotated as "Paid" when disbursements is made.	Principal and administrative secretary	Receipts/invoices stamped "Paid"
Independent contractor payments must comply with MCPS Regulation DIA-RB. Prior to authorization of any payments to independent contractors verification will be made to ensure they are on the approved list.	Administrative secretary	Copies of W-9 forms will be required	Prior to authorization of any payments to independent contractors verification will be made to insure that they are on the approved vendor list	Principal and dmin. secretary	Copies of W-9 forms files with Form 280-54

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Payments to MCPS employees must be processed through MCPS payroll system. Staff will be added as ECA Class 1 sponsors; admin secretary will process with required taxes withheld. MCPS will invoice schools at end of year for purchased ECA hours through FMS iReceiveables.	Administrative secretary	Extracurricular Activities Plan (ECA)	Admin sec. will use correct form to ensure payment is processed properly by MCPS.	Conclusion of event requiring payment	Files of completed form at monthly review of financial disbursements. Copies of all forms of payment to staff will be in payroll.
Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the administrative secretary. Staff are required to turn in monies daily and those remit with funds late will be reminded in writing with appropriate progressive discipline steps as appropriate.	Sponsors, Administrative Secretary, Principal	Form 280-34	Cash collected by sponsors will be submitted to the admin. secretary by 12 pm daily and documented using Form 280-34.	Cash will be submitted by sponsors daily	Administrative secretary will sign form 280-34 as receipt and return copy to sponsor .
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. The secretary will send an email in 48 hours if any information is incomplete or missing. Principal copied.	Teachers, Field Trip sponsor, administrative secretary, Principal	Form 280-41	Sponsors will use Form 280-41 to provide a complete class roster and note all payments and full reconciliation.	Admin sec will send email to sponsors at conclusion of trips to restate policy.	Completed Form 280-41 and any additional documents relevant to each trip
Funds remitted by sponsors must be promptly verified, receipted, and deposited into bank by the school administrative secretary. Time will be provided for secretary to make daily trips to the bank.	Teachers, sponsors, administrative secretary	Form 28041	Administrative secretary will deposit all funds daily after 12pm collection.	Admin secretary and Principal. As needed	Principal will review monthly records to ensure proper and timely deposits

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: We met at length to review this plan and consulted staff in the School and Financial Operations and Internal Audit teams	
Director: <u>Sarah Sirgo</u>	Date: <u>12/12/17</u>