


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

December 3, 2018

MEMORANDUM

To: Mrs. Christine D. Oberdorf, Principal  
Piney Branch Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
November 1, 2016, through October 31, 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 November 19 2018, meeting with you and Mrs. Victoria M. Welch, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated December 7, 2016, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 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

Transfers of funds between School Funds Online (SFO) general ledger accounts may be made only after MCPS Form 281-46, *Independent Activity Funds – Transfer*, has been executed by both the account sponsor and the principal. They must be fully documented and adhere to MCPS guidelines for allowable uses of funds. Although Forms 281-46 were signed by the principal, we found that



none had been approved by account sponsors. We also found instances where funds were transferred to inappropriate accounts or supporting documentation was not adequate. Surplus balances in accounts were often transferred to other accounts without first determining the reason for the surplus balance. We recommend that transfers are reviewed to ensure that requests are supported by proper documentation and that transfers meet requirements for appropriate use of funds, prior to presenting requests to the principal and sponsors for approval (refer to *MCPS Financial Manual*, chapter 20, page 12).

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an SFO account history report for each month in which transactions have been recorded in their accounts, or their accounts have a balance. We found this essential internal control procedure was not always being used. We recommend that sponsors be given a monthly SFO statement of their accounts and be required to verify that all transactions affecting their accounts have been correctly recorded. After any discrepancies are resolved, the statements should be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all statements are reviewed and returned (refer to *MCPS Financial Manual*, chapter 20, page 10).

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. In our sample of disbursements, we found prior approval was not consistently obtained, documentation was not annotated by recipients to indicate purchased goods or services were satisfactorily received, and the documentation was not being marked "paid" by the school administrative secretary upon payment. By requiring prior approval, the principal retains control over the expenditure of IAFs. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditures and signed by the principal at the time verbal approval is sought. We also recommend that invoices for goods or services be signed by the purchaser to indicate satisfactory receipt and the school administrative secretary mark the documentation as "paid" to preclude duplicate payment (refer to *MCPS Financial Manual*, chapter 20, page 6).

Aggregate school expenditures of general funds for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per individual staff member, per fiscal year, without the prior written authorization from the chief operating officer (COO) (refer to *MCPS Financial Manual*, chapter 20, page 5). These expenditures must be appropriately recorded in accordance with the IAF chart of accounts. We found that you exceeded the total amount allowed in Fiscal Year 2017 and Fiscal Year 2018, without approval of the COO. We also found instances in which expenditures for these items were incorrectly classified and recorded in various accounts. Such commingling increases the time required to determine whether or not guidelines have been followed and decreases the value of your financial reports for decision making. We also found a few inappropriate disbursements that related to staff appreciation. Staff appreciation funds cannot be used to purchase flowers or other gifts for departing staff. The funds are intended to recognize a group of staff members or the entire staff, not a particular staff member (refer to *MCPS Financial*



*Manual*, chapter 20, page 20). We recommend that you adhere to the MCPS requirements as well as correctly classify and record these transactions for more accurate accountability.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the school administrative secretary together with MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*. Cash should be counted in the presence of the remitter and a receipt that is supported by the MCPS Form 280-34 should be issued promptly. These receipts must be deposited promptly and all receipts must be deposited on the last working day of each month and before each weekend or holiday (refer to *MCPS Financial Manual*, chapter 7, pp. 4-5). We found that some sponsors were holding funds collected rather than remitting them to the school administrative secretary on a daily basis. We also noted that the school administrative secretary was not always counting cash in the presence of the remitter and was not always issuing a copy of the receipt. We recommend that staff be encouraged to submit cash and checks collected for IAF activities to the school administrative secretary for prompt deposit and that a receipt be issued in accordance with MCPS policy and procedures.

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 these 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 and the approval retained in the school office. Financial activities for each fund-raising activity should be recorded in a separate SFO account in the 7000 series and a completion report prepared that analyzes the results (refer to *MCPS Financial Manual*, chapter 20, page 13).

#### Summary of Recommendations

- Transfers of funds between general ledger accounts should be fully documented and approved by sponsor and the principal.
- Monthly SFO account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the school administrative secretary.
- Purchase requests must be approved by the principal prior to procurement.
- Purchase invoices and receipts must be annotated as received by the purchaser and as "paid" by the school administrative secretary upon disbursement.
- Total combined expenditures for staff appreciation and meeting refreshments may not exceed \$60 per staff member without prior approval of the COO.
- Staff appreciation and meeting refreshment expenditures must be correctly classified and recorded.
- Cash and checks collected by sponsors must be promptly remitted to the school administrative secretary and a receipt issued to remitter.
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*.

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 Mr. Eric A. Wilson, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mr. Wilson will indicate whether he 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:MJB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Morris

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Reilly

Mr. Tallur

Mr. Wilson


Ms. Webb



## Fiscal Management Action Plan

School: Piney Branch Elementary School

Principal: Christine Oberdorf

Approved by Director of Learning, Achievement, Administration: 

Date of approval: 12/21/18

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p><b>Transfers of Funds</b> All transfers must be approved by the sponsor and the principal.</p>	<p><b>Sponsors</b> will review and approve funds transferred between School Funds Online (SFO) accounts using the appropriate form provided by the <b>administrative secretary</b>. Additionally, the <b>administrative secretary</b> will provide proper supporting documentation for transfers and ensure transfers adhere to MCPS guidelines for allowable uses of funds.</p>	<p>As Needed</p>	<p>MCPS Form 281-46, <i>Independent Activity Funds - Transfer</i>, will be approved by account sponsors and the principal.</p>
<p><b>Monthly Sponsor Reports</b> Monthly account history reports must be provided to sponsors for verification that transactions are correct.</p>	<p>The <b>administrative secretary</b> will provide sponsors with a monthly statement of their accounts and <b>sponsors</b> will verify the transactions for accuracy. The <b>administrative secretary</b> will notify sponsors requesting their signature on the statement. After resolution of any discrepancies, the statements will be signed and dated by the <b>sponsors</b> and kept on file using a color-coding system to track signed and returned reports. The <b>administrative secretary</b> will organize monthly statements in a binder as a record-keeping procedure.</p>	<p>Monthly</p>	<p>Signed and dated monthly statements will be on file.</p>
<p><b>Purchase Request Approval</b> Purchase requests must be approved by the principal prior to procurement.</p>	<p>Form 280-54 will be prepared and signed by both <b>requesting staff</b> and the <b>principal</b>. The <b>principal</b> will ensure detailed documentation/rationale of the purchase is attached to the request prior to signing. The invoices for the purchase will be signed and dated by the <b>receiver</b>. The <b>administrative secretary</b> will mark the documentation as <i>PAID</i>.</p>	<p>As Needed</p>	<p>Form 280-54 completed with documentation of purchase, receipt of purchase signed by receiver, and marked PAID when payment is completed.</p>
<p><b>Staff Appreciation and Refreshments</b> Staff refreshments/gifts of appreciation must not exceed \$60 per staff member.</p>	<p>Monies spent for staff appreciation and refreshments will total less than approved amount by MCPS. The total allocation will be transferred to the proper account when the official staff count is dispersed in late October. These expenditures will be recorded by the <b>administrative secretary</b> from the proper account so totals do not exceed \$60 per staff member.</p>	<p>As Needed</p>	<p>Funds will recognize a group of staff or the entire staff, be posted to the proper account, and not exceed the allowed total.</p>

<p><b>Funds for Sponsored Activities</b> Funds collected must be promptly remitted intact with MCPS Form 280-34 and promptly deposited.</p>	<p><b>Sponsors</b> will remit funds daily. Cash collected by <b>sponsors</b> will be counted in front of the <b>administrative secretary</b> and documented using form 280-34. <b>Administrative secretary</b> will sign form as documentation of receipt and <b>sponsors</b> will make a copy of the signed form for their records. <b>Administrative secretary</b> will make daily deposits when funds exceed allowable limit, Fridays, end of the month, and before a holiday.</p>	<p>As Needed</p>	<p>Receipts of submitted funds and bank deposit statements will confirm frequency of deposits.</p>
<p><b>Fundraising Activities</b> Fund-raising must conform to Guidelines for Sponsoring an IAF Fundraiser</p>	<p>All fundraisers will be preapproved using the form provided in the guideline documents distributed by the <b>administrative secretary</b>. All fundraisers will have their own sub account in the SFO accounting system (7000 series). A completion report will be prepared by the <b>sponsor</b>.</p>	<p>As Needed</p>	<p>Signed approval form for fundraiser and supporting documents will be collected.</p>

*Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.*