


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

February 1, 2018

MEMORANDUM

To: Mr. Douglas M. Robbins, Principal  
Poolesville Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
December 1, 2014, through November 30, 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. School 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 January 18, 2018, meeting with you and Mrs. Teresa M. Prescott, school administrative secretary, we reviewed the status of the conditions discussed in our prior audit, 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

Transfers of funds between general ledger accounts may be made only after MCPS Form 281-46, *IAF – Transfer*, has been completed and approved by both the account sponsor and the principal. Transfers must be fully documented and adhere to MCPS guidelines for allowable uses of funds. We found that MCPS Forms 281-46 were not being prepared for principal and sponsor approval.

We recommend that transfers of funds be reviewed to ensure that the requests are supported by proper documentation and meet requirements for appropriate use of funds, and receive sponsor and principal approval (refer to *MCPS Financial Manual*, chapter 20, page 12).

The management of IAF must be in accordance with good business practices that include sound accounting and internal control procedures. We found that staff did not have adequate procedures in place for proper control and oversight of the IAF checking account balance. This lack of oversight when making payments resulted in ten overdraft fees totaling several hundred dollars as indicated on one monthly bank statement. We recommend that staff establish processes that will ensure control and appropriate oversight of IAF as well as monitor transaction activity in an effort to reduce future errors (refer to *MCPS Financial Manual*, chapter 20, page 1).

MCPS Form 281-53, *Restricted Independent Activity (IAF) Fund Purchases*, is used to obtain written authorization of the chief operating officer to make certain procurements requiring the disbursement of \$7,500 or more. We noted in our review of disbursements that funds in excess of this limit were expended to purchase a lawn tractor without the required approval. We recommend adherence to procurement guidelines and the use of MCPS Form 281-53 (refer to *MCPS Financial Manual*, chapter 20, page 5).

The IAF chart of accounts provides a standardized account structure for consistency in recording transactions (refer to *MCPS Financial Manual*, chapter 20, page 10). We found instances of transactions that were not classified properly for recording in appropriate accounts. For example, PTA receipts and disbursements were recorded in the MCPS reimbursement account. Such commingling renders it difficult to evaluate the results of activities and may allow a loss to go undetected. We recommend that the school's accounts be brought into compliance with the latest chart of accounts, and that guidelines for uses of funds be reviewed.

Review of field trip activities revealed that field trip sponsors were not providing completed financial information to the school 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 school administrative secretary when a trip is completed (refer to *MCPS Financial Manual*, chapter 20, page 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. We recommend that all sponsors be required to use MCPS Form 280-41, or equivalent, and follow the procedures outlined above.

### Summary of Recommendations

- Transfers between accounts should be fully documented and approved.
- IAF must be managed in accordance with sound accounting practices and effective internal control procedures.
- Certain purchases of \$7,500 or more must have COO approval.
- Accounting transactions must conform to the IAF chart of accounts.

- 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.

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 Ms. Audra M. Fladung, director of school support and improvement of elementary schools. Based on the audit recommendations, Ms. Fladung 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 agent to support you with developing a well-defined plan to address the findings.

RWP:GWB:ish

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

Ms. Fladung

Mr. Reilly

Mr. Tallur

Mr. Ikheloa

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> 2018	<b>Fiscal Year:</b> 2018
<b>School:</b> Poolesville ES - 153	<b>Principal:</b> Douglas Robbins
<b>OSSI</b> <b>Associate Superintendent:</b> Dr. LaVerne Kimball	<b>OSSI</b> <b>Director:</b> Ms. Audra Fladung/Mr. Greg Edmundson
<b>Strategic Improvement Focus:</b> As noted in the financial audit for the period <u>2014-2017</u> , strategic improvements are required in the following business processes :	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<b>Recommendation Issue - Transfers between accounts</b>  Form 281-46 will be used for all school transfers and the principal will sign off each one. This will be an area of discussion at monthly financial meetings between the principal and administrative secretary.	Teresa Prescott Doug Robbins	Form 281-46	Monthly financial meetings which are scheduled for the last Monday of each month	Robbins 1st of each month	
<b>Recommendation Issue- Effective internal control measures</b>  Currently the school is working with BB&T to provide that online banking is made available to us so that we can have real time balance information.	Teresa Prescott	BB&T Bank Manager	Online banking is established and is utilized for each school purchase	Prescott and Robbins  Monthly financial meetings	
<b>Recommendation Issue- Effective internal control measures</b>  Any purchase made that is over \$1,000 in cost will require administrative secretary and principal to collaboratively review bank account prior to purchase.	Teresa Prescott Doug Robbins	Online Banking  Monthly Financial Reports	Online banking and monthly financial reports are reviewed prior to each large expenditure	Prescott and Robbins  As needed based upon number of large purchases	
<b>Recommendation Issue - Purchases over \$7,500</b>  Any purchase over \$7,500 will not be made without prior approval from the COO using form 281-53.	Teresa Prescott Doug Robbins	Form 281-53	Completed and approved forms	Prescott and Robbins  Monthly financial meetings	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<p>Recommendation Issue - Purchases over \$7,500</p> <p>This requirement will be shared with the Building Services Manager who may be in need of such a large purchase sometime in the future.</p>	Doug Robbins Otho Weedon, BSM	Form 281-53	Evidence that this requirement was discussed	Robbins February 10, 2018	
<p>Recommendation Issue - IAF chart of accounts</p> <p>We have begun and will continue to use IAF account 0025.0000 to separate PTA reimbursements from MCPS' which are identified in account number 0060.0000.</p>	Teresa Prescott	Established accounts	Balance of account numbers 0025.0000 and 0060.0000	Robbins 1st of each month	
<p>Recommendation Issue - Comprehensive data to account for field trips</p> <p>In addition to our current reconciliation procedures, we will now use form 280-41.</p>	Teresa Prescott Doug Robbins Team Leaders	Form 280-41	Review of form 280-41 at monthly financial meeting	Robbins Monthly financial meetings	
<p>The identified actions will be shared with the school's leadership team so that they can reinforce expectations with their colleagues and support our efforts with this action plan.</p>	Doug Robbins	Agenda Item at Leadership Team meeting	Agenda item at leadership team meeting and notes from the meeting	Robbins February 15, 2018	

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

Approved

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

Comments:

Director: \_\_\_\_\_



Date: \_\_\_\_\_

2/8/18