


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

December 15, 2014

MEMORANDUM

To: Mrs. Linda Z. Goldberg, Principal
Potomac Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2011, through September 30, 2014

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 December 11, 2014, with you and Ms. Debra Taylor-Miller, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated January 5, 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

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, bank reconciliation report, and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date. We

found that these reviews were not completed consistently during the audit period. We recommend that you initiate a process that ensures that this important internal control process occurs monthly (see MCPS Financial Manual p. 20–9).

In order to properly control funds collected by sponsors for IAF activities, cash and checks should be remitted promptly and intact to the administrative secretary together with the current version of MCPS Form 280-34, *IAF Remittance Slip*, that is fully and accurately completed. Funds should be counted in the presence of the remitter, and a receipt that is supported by Form 280-34, should be issued promptly. Any misprinted receipts should be entered into the accounting system, and all parts of any voided receipt forms should be defaced and retained. These essential controls were not being practiced. We again found instances of delay in remittance of funds, issuance of receipts, receipts prepared weeks after funds were deposited in the bank, receipts issued out of sequence, and deposits not made timely. In order to improve control over funds, we recommend you ensure time is available to process receipts when funds are received from sponsors, complete Part II of Form 280-34, to acknowledgement receipt of funds, and complete the deposit summary and deposit funds occurs on a daily basis.

Sponsors of field trips should have a complete class 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 should be provided to the administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report. We again 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 trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip (see MCPS Financial Manual p. 20-10).

Summary of Recommendations:

- Monthly financial reports must be reviewed, signed, and dated by the principal to indicate review;
- Funds collected by sponsors must be promptly remitted with current version of MCPS Form 280-34 to the administrative secretary (repeat);
- Funds remitted by sponsors must be promptly verified, receipted, and deposited in the bank by the administrative secretary (repeat); 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 Dr. Donna S. Hollingshead, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MS:sd

Copy to:

Mr. Bowers
Dr. Navarro
Dr. Statham
Mr. Sanderson
Dr. Hollingshead
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

Fiscal Management Action Plan

School: POTOMAC ELEMENTARY SCHOOL

Principal: LINDA GOLDBERG
Principal Intern: DARA BROOKS

Approved by associate superintendent: 

Date of approval: 2/2/15

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Monthly financial reports must be reviewed, signed, and dated by principal to indicate review . . .	The administrative secretary or visiting bookkeeper will meet with the principal and/or principal intern immediately after reports are run by the visiting bookkeeper to ensure that all reports are reviewed and signed.	January 2015 Within 24 hours	The visiting bookkeeper met and went over reports with the administrative secretary and the principal intern. At that time, signatures were acquired. We will continue this process for the future.
Funds collected by sponsors must be promptly remitted with the current version of MCPS Form 20-34 to the administrative secretary . . .	The administrative secretary will meet with the team leaders to review protocols and to refer them to the staff handbook. She will also meet with the team collecting funds at their first team meeting when funds need to be collected. A written email will also be sent reminding the staff about the process along with updated forms that need to be completed when funds are turned into the office. The administrative secretary will meet with the team leader at the end of the collection process to ensure that all funds have been collected and to review the reconciliation.	August 2014 January 2015 This process has been implemented for the past two occasions where funds were collected. We have also published the information in the staff newsletter.	The online Staff Handbook is updated, and shared with the staff. It includes updated financial information. See attached newsletter to staff.
Funds remitted by sponsors must be promptly verified, receipted, and deposited in the bank by the administrative secretary.	Funds will and have been deposited more frequently. It has been made clear to the staff that all funds must be remitted to the office in a timely fashion to be deposited immediately. The administrative secretary will make every effort to make bank deposits as needed.	January 2015 Same day if possible or locked in a secure location.	Deposits have been made as needed.
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 administrative secretary will meet with the team at their first team meeting when funds need to be collected. A written email will also be sent to remind the staff about the process along with the attached updated forms that need to be completed when funds are turned into the office. The administrative secretary will meet with the team leader at the end of the collection process to ensure that all funds have been collected and to review the reconciliation.	August 2014 January 2015 This process has been implemented for the past two occasions where funds were collected. We have also published the information in the staff newsletter.	The online Staff Handbook is updated, and shared with the staff. It includes updated financial information. See attached newsletter to staff.