


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 17, 2017

MEMORANDUM

To: Ms. LaTricia D, Thomas, Principal
Judith A. Resnik Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the period
May 1, 2014, through December 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 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 meeting on February 14, 2017, with you and Mrs. Karen I. Fritz, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated June 24, 2014, 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 the ledger report in a timely manner. The review of these monthly financial reports must be evidenced by the principal's signature and date. We found that these important reviews were not completed consistently during our audit period. We

recommend that you initiate a process to ensure that this important internal control process occurs monthly in a timely manner (refer to *MCPS Financial Manual*, chapter 20, page 9).

All check disbursements from a school's IAF must be approved by the principal using MCPS Form 280-54: *Independent Activity Funds Request for a Purchase*, prior to the expenditure of funds (refer to *MCPS Financial Manual*, chapter 20, page 6). When the goods or services are received, the purchaser will indicate satisfactory receipt on the invoice, and the school administrative secretary will mark the invoice as "paid" upon disbursement. We noted instances in which invoices for goods and services were not signed by the purchaser, MCPS Form 280-54 was not used when disbursements were made to MCPS, and documentation was not marked "paid" upon disbursement. We recommend MCPS Form 280-54 be used to document principal approval of all check disbursements. In addition, invoices supporting purchases should be marked to indicate satisfactory receipt and stamped "paid" upon disbursement.

Cash and checks collected by sponsors and others authorized for IAF activities must be remitted with MCPS Form 280-34: *Independent Activity Fund (IAF) Remittance Slip*, to the school administrative secretary on the day they are received. We found instances in which staff collecting funds for field trips, fundraisers, and the media center were holding them rather than remitting them in a timely manner to the school administrative secretary. We recommend that all staff who collect funds for school activities be reminded of the remittance requirements (refer to *MCPS Financial Manual*, chapter 7, page 4).

Our review of field trip activities revealed that not all trip sponsors are 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. The record of names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to funds recorded in the field trip account. In addition, the school administrative secretary should perform a reconciliation of the activity at its conclusion. We recommend all sponsors be required to use MCPS Form 280-41, or equivalent, and follow the procedures outlined above (refer to *MCPS Financial Manual*, chapter 20, page 10).

Summary of Recommendations

- Monthly financial reports must be signed and dated by the principal to indicate review.
- Check disbursements must be approved by the principal on MCPS Form 280-54.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Purchase invoices must be annotated as paid to indicate a disbursement was made.
- Funds collected by sponsors must be promptly remitted to the school administrative secretary (**repeat**).
- 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*, please provide a response to the Internal Audit Unit within 30 calendar days of this report, with a copy to Dr. Sarah E. Sirgo, director of school support and improvement of elementary schools. In your response, please share a detailed plan for addressing these issues including appropriate staff training and support. The Office of School Support and Improvement will follow up on this audit.

RWP:GWB:lsh

Copy to:

Members of the Board of Education

Dr. Smith

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Dr. Sirgo

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Mr. Ikheloa

Fiscal Management Action Plan

School: Judith A. Resnik Elementary School

Approved by Director of School Support and Improvement:



Principal: Ms. LaTricia Thomas

Date of approval: 3/17/17

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Purchase Request Approval Invoices for goods and services were not signed by the purchaser, MCPS Form 280-54.	This item deals with JPMorgan purchases. Mrs. Fritz, Administrative Secretary, will make sure that MCPS Form 280-54 is filled out for each JPMorgan purchase and Mrs. Thomas will be given the form before purchase.	When purchases are made. We will also have bi-weekly meetings.	Mrs. Fritz will keep copies of all JPMorgan purchases with the IAF account records.
IAF Cash and Checks Collected by Sponsors and other Authorized Personnel Cash and checks collected by sponsors and others were not remitted on the day they were received.	Ms. Thomas has notified the staff that monies must be turned in the same day. This is not negotiable it is mandatory. She has also stated that if individual staff members continue with this practice a letter will be written "to the record."	When funds are received. We will have a bi-weekly meeting to check records.	Mrs. Fritz will notify Ms. Thomas of staff members that are not handing in monies on a daily basis. Evidence of this will be the date on the Remittance Form 280-34 and the date of the receipt.
IAF Bank Statements The principal, Ms. Thomas has been signing the envelope but not the statement.	Ms. Thomas will now sign the monthly bank statement. Ms. Thomas also currently checks and makes sure that each check is in the statement and accounted for correctly.	When monthly statements arrive.	After Ms. Thomas signs the statement Mrs. Fritz will put the statement with the bookkeeper's monthly paperwork.
Independent Activity Fund Purchase invoices must be annotated as paid to indicate a disbursement was made.	Mrs. Fritz will stamp all invoices/receipts as paid.	When invoices are paid.	Mrs. Fritz is already stamping the invoices/receipts as paid. Ms. Thomas and Mrs. Fritz are meeting monthly to go over the checklist and this will be verified on a monthly basis.
Field trip accounting 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 trip.	Field trip sponsors are not 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, <i>Field Trip Account</i> . The form should show the names and amount paid by all students eligible to participate and students who receive waivers, scholarships or reduced fees. This information should be provided to the administrative secretary at the completion of each trip and compared to remittances. At the end of a field trip Mrs. Fritz will send out a letter to the team explaining their responsibilities to provide Mrs. Fritz with the complete paperwork. Mrs. Fritz will also conduct regular trainings regarding Field Trips.	When sponsors provide records to the office.	Completed Form 280-41 and additional documents relevant to each trip will be collected and put in a folder.

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