


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

April 28, 2016

MEMORANDUM

To: Kristine A. Alexander, Principal
Rock View Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2013, through February 29, 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 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 April 27, 2016, with you and Mrs. Joyce A. Besser, administrative secretary, we reviewed the status of our prior audit report dated May 9, 2013, 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

The principal is responsible for all monies received or disbursed within the school as well as the implementation of internal controls for achieving compliance with MCPS policies, regulations, and procedures pertaining to these funds. The principal has overall responsibility to ensure the

maintenance and timely preparation of monthly financial reports (see MCPS Financial Manual, p. 20-8). Effective internal control includes the monthly receipt and review by the principal of the unopened bank statement, bank reconciliation report, and ledger report in a timely manner. Review of these important reports must be evidenced by the principal's signature and date. We could find no indication that these important reviews were completed consistently during our audit period. We recommend you initiate a process that ensures this important internal control process occurs monthly (see MCPS Financial Manual, p. 20-9).

MCPS Form 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-4). 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. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt, and stamped or marked "Paid." In our sample of disbursements, we found prior approval was not consistently obtained, and invoices were not signed by the receiver. By requiring written prior approval, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff with an estimate of expenditure amount and signed by you at the time verbal approval is sought.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the administrative secretary with MCPS Form 280-34, *IAF Remittance Slip*, on the same day they are received to minimize the risk of loss or theft. The funds should be verified in the presence of the remitter, and a receipt should be issued promptly. In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and either place the sealed envelope in the business office safe or receive written acknowledgement that it was provided to the administrative secretary. Verification of these funds will be conducted in the presence of the remitter as soon as possible thereafter. We found that some sponsors were holding funds collected rather than remitting them to the administrative secretary on a daily basis. Remittances were not always promptly deposited into the school's bank account. Also, there was no process for securing funds when the administrative secretary was unable to verify them. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual, pp. 7-3, 7-4.

The review of field trip activities revealed that not all field trip sponsors are 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, *Field Trip Accounting*, or equivalent, and submit the data to the administrative secretary when a trip is completed (see MCPS Financial Manual, p. 20-9). The record of names of participants and funds collected strengthens internal controls by enabling the reconciliation of receipts to entries recorded in the field trip account. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above.

Summary of Recommendations

- Monthly financial reports must be reviewed, signed, and dated by the principal to indicate review;
- Purchase requests must be approved by the principal prior to procurement;
- Purchaser must confirm receipt of goods or services prior to disbursement;
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the administrative secretary;
- Funds remitted must be promptly deposited in the bank by the administrative secretary; 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 cost of the trip.

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 Mr. Matthew Devan, director of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:AMB:sd

Copy to:

Dr. Zuckerman
Dr. Statham
Dr. Navarro
Dr. Kimball
Mrs. Chen
Mrs. DeGraba
Mr. Devan
Mrs. Milwit




Rock View Elementary School

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May 26, 2016

MEMORANDUM

To: Roger W. Pisha, Supervisor, Internal Audit

From: Kristine A. Alexander, Principal 
Rock View Elementary School

Subject: IAF Audit Response for the Period March 1, 2013, through February 29, 2016

The following is a response to the findings and recommendations to the Report on the Audit of Rock View Elementary School's Independent Activity Funds (IAF) for the period of March 1, 2013, through February 29, 2016.

In his audit report findings, the auditor indicated that monthly bank statements and financial reports must be reviewed, signed, and dated in a timely manner once received and/or generated. He also indicated that all disbursements must be approved in advance of all purchases by the requestors. Additionally, requestors must also indicate satisfactory receipt of goods or services. When reviewing records regarding cash receipts, the auditor noted that sponsors held funds without promptly remitting them the Administrative Secretary, and that the Administrative Secretary held funds without promptly depositing them in the bank. Finally, the auditor noted that field trip records prepared by sponsors must provide comprehensive data to account for all students and to reconcile funds collected with the costs of the trip.

I have reviewed the findings and recommendations with our Administrative Secretary to ensure implementation as future practice. As a follow up to the pre-service presentation in August 2015 that reviewed the policies and procedures regarding purchase reimbursement and appropriate handling of collected funds, the recommendations from the auditor's findings have been shared with our staff. In addition, a fiscal management action plan (see attached) has been developed to address the findings and recommendations in order to ensure consistent compliance with all MCPS financial policies and procedures.

Thank you for your time and effort to assist our staff in maintaining effective fiscal management of our IAF account. Please let me know if you have any further questions or suggestions.

Attachments

cc: Mr. Matthew Devan

Fiscal Management Action Plan

School: Rock View Elementary School

Principal: Kristine Alexander

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 the principal to indicate review.	The administrative secretary will provide the principal with monthly financial reports for review. Calendar reminders added to Outlook. After review of the reports, they will be signed and dated to indicate review.	Once per month	Signed and dated statements.
Purchase requests must be approved by the principal prior to procurement.	At the time that verbal approval is sought from the principal, Form 280-54 will be prepared and signed by both requesting staff and the principal. The principal will ensure that any required documentation/rationale of the purchase is attached to the request. The invoices for the purchase will be signed and dated by the receiver.	As needed	Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver.
Purchaser must confirm receipt of goods or services prior to disbursement.	Packages will be delivered intact to the ordering staff member and they will verify receipt by marking packing slip with "Okay to Pay" and turning it is to the administrative secretary.	As needed	Verified packing slips will be attached to form 280-54.
Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the administrative secretary.	Cash collected will be counted in front of the receiver and a receipt will be issued at that time, by the administrative secretary. Cash will be submitted by sponsors on a daily basis.	Daily sponsor submission of funds, and immediate receipt of funds	Receipts of funds submitted.
Funds remitted must be promptly deposited in the bank by the administrative secretary.	The administrative secretary will make deposits as funds are received, to include on the last working day of each month and before each weekend or holiday.	Deposits daily as needed, last working day of the month, and before holidays and weekends.	Dated deposit slips and bank deposit statements.
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.	Administrative Secretary will provide a detailed sample packet, including all procedures and forms, during pre-service 2016. Sponsors will provide complete class or club rosters and note how much each student has paid, to include the date, and any waivers or scholarships for students. Also, sponsors will include if a student is not attending the trip or activity. Sponsors will also provide this at the completion of the trip and compare remittance recorded to the trip account history report. The data will be used by the sponsors and administrative secretary to plan for future trips. Sponsors will plan carefully to ensure that they do not overcharge or undercharge for a trip for students. Sponsors will use MCPS Form 280-41 to record trip fees and provide complete data at the end of each trip. Trip planning will be reviewed by the administrative secretary and the principal to ensure that fees are appropriate.	As needed for field trips	Administrative Secretary will provide a detailed sample packet, including all procedures and forms, during pre-service 2016. Sponsors will submit completed form 280-41 with remittance receipts attached, and any additional documents relevant to each trip.