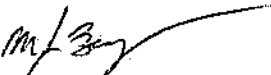


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 6, 2020

MEMORANDUM

To: Dr. Cynthia Eldridge, Principal
Rocky Hill Middle School

From: Mary J. Bergstresser, Acting Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2018, through November 30, 2019

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 January 24, 2020, meeting with you and Mrs. Shubha Prabhu, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated June 18, 2018, 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

Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, invoices and online purchase confirmations were not always signed by the receiver to indicate goods or services were received, and that payment could be processed. Purchasers must sign invoices to indicate satisfactory receipt of goods or services prior to payments being processed. When goods are received at the school, the purchase must be verified

as complete by the recipient and the invoice/packing slip must be marked "received" and signed/dated by the recipient. Requiring invoices to be marked "received" insures that goods or services have been satisfactorily received prior to payment.

In accordance with MCPS Regulation DIA-RB, *Payments for Services and Reimbursements for Expenses from School Independent Activity Funds*, payments to MCPS employees must be processed through the MCPS payroll system to ensure compliance with federal tax requirements regarding the reporting of income and the withholding of taxes. We found that an MCPS employee was paid directly from the IAF for work completed over the summer. We recommend following the payroll procedures published by the Employee and Retiree Service Center.

MCPS Regulation DMB-RA, *Control of Admission Receipts*, sets forth procedures for the control of admission receipts for school events. The accounting for these events must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and perpetual inventory of tickets (refer to the *MCPS Financial Manual*, chapter 20, page 13). We noted an admission event where tickets were printed by the event sponsor and not controlled by the ticket controller. This effectively eliminated the vital control that results from having all tickets distributed by a ticket controller who is independent of the event sponsor. Another event had one set of tickets for both presales and three performances. Although ticket reports were used, they were not properly signed. In addition, the perpetual ticket inventory was not updated once tickets had been used. We recommend that admission to all events be controlled in accordance with the above cited regulation and that procedures for sale of tickets be reviewed with appropriate staff prior to events for compliance with the above cited MCPS requirements.

Notice of Findings and Recommendations

- Purchaser must confirm receipt of goods or services prior to disbursement.
- Payments to MCPS employees must be processed through the MCPS payroll system.
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

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.

MJB:SMY:ish

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mr. Koutsos

Mrs. Camp

Mrs. Chen

Mr. Marella

Mr. Tallur

Mr. Wilson

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: February 6, 2020	Fiscal Year: February 6, 2020
School: Rocky Hill MS - 707	Principal: Dr. Cynthia Eldridge
OSSI Associate Superintendent: Mr. James Koutsos	OSSI Director: Mr. Eric Wilson
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>5/1/18-11/30/19</u>, strategic improvements are required in the following business processes : receipt of goods; payments to MCPS employees through payroll and admission events upgrades.</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
1. Ensure that each purchaser confirms receipt of goods (or services) prior to disbursement	Financial assistant	N/A	New overview of list of the guidelines will be shared with staff via email memo in February 2020 (and at 2020 pre-service meetings).	Financial assistant and principal.	- staff memo - ongoing communication
			Financial specialist will email staff a reminder after the order is placed and follow up to receive the invoice.	Financial assistant (ongoing) and then shared at financial meetings with principal.	- staff email reminders
			Individual meetings will be held with staff who do not comply with the guidelines.	Financial assistant will document in email (and cc; principal) with any staff not in compliance.	- meeting notes - disciplinary memos if applicable
2. Ensure payments to MCPS employees are processed through the MCPS payroll system.	Principal Financial Asst.	N/A	Payroll guidelines annual review	Financial assistant (ongoing) and then shared at financial meetings with principal.	- meeting notes - timesheets

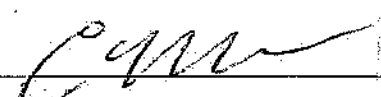
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
3. Ensure admission events are conducted in accordance with MCPS regulation DMB-RA.	Financial assistant and sponsors	N/A	Individual meetings will be held with sponsor to ensure adherence to the guidelines.	Financial assistant (prior to next event)	- meeting notes - disciplinary memo if applicable

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

Approved **Please revise and resubmit plan by _____**

Comments:

Director: _____



Date: 3/4/20