


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

July 26, 2019

MEMORANDUM

To: Mrs. Jewel A. Sanders, Principal  
Rosa M. Parks Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
January 1, 2018, through May 31, 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 June 28, 2019, meeting with you; and Mr. Albert Sisco, school financial specialist, we reviewed our prior audit report dated February 14, 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

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain the principal's approval to proceed with an intended purchase. After acquisition, the purchaser should submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the school financial specialist. Upon disbursement, the documentation is to be stamped or marked "paid" to preclude duplicate payment (refer to *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements,

we noted instances in which purchases were made prior to receiving the approval of the principal, receipts were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received, and invoices supporting purchases were not stamped or marked "paid." We recommend that the IAF purchases comply with MCPS procedures.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card User's Guide*. By the fifth business day of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements must be printed and provided to the principal or delegated approver, with all purchase receipts and invoices attached. The principal or delegated approver must review each cardholder's transactions and approve them by the 10th of the following month, using the online reconciliation program. We noted that some cardholders had not promptly reviewed their transactions in the online reconciliation program. We also noted that the principal had not approved all of the online transactions as required. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with the *MCPS Purchasing Card User's Guide*.

To properly control funds, all cash and checks collected by sponsors for IAF activities should be remitted promptly to the school financial specialist. These funds should then be verified in the presence of the remitter and a receipt that is supported by MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, should be issued promptly (refer to *MCPS Financial Manual*, chapter 7, page 4). We found instances in which funds were held by sponsors rather than being remitted on a daily basis to the school financial specialist. To minimize the risk of loss and provide availability of funds to meet school needs, we recommend that all funds collected be remitted daily to the school financial specialist for prompt deposit.

Sixth grade students at each middle school in MCPS participate in a three-day, two-night residential outdoor environmental education program (OEEP) for which they are assessed a \$76 fee to reimburse MCPS for the cost of personal expenses associated with the program. Students unable to pay the OEEP fee receive waivers that must be reported to MCPS so that the total amount of the invoice billed to schools is adjusted accordingly. A school also may charge an activity fee in addition to the OEEP fee. If the combined total amount a student can afford to pay for the OEEP fee, plus the school's activity fee equals \$76 or less, then the entire combined amount received from the student is to be remitted to OEEP (refer to *OEEP Grade 6 Residential Program Handbook and Planning Information*, page 44). We found that the school did not correctly report all funds collected from students who were identified as needing assistance which then resulted in an underpayment to MCPS. We also noted that you collected funds from more students than for whom you were billed, indicating an inaccurate head count. We recommend that you review the procedures for reporting students needing financial assistance with the OEEP sponsor and that the financial assistance forms are reviewed for accuracy before they are submitted. We also recommend that you reconcile your account to determine that all students who paid and attended were properly reported to MCPS.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchase invoices must be annotated as "paid" to indicate disbursement was made.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*.
- Funds collected by sponsors must be promptly remitted to the school financial specialist (**repeat**).
- OEEP sponsor records must correctly report funds collected and waivers granted for all participating students.

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 Dr. Michael J. Zarchin, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Zarchin 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 financial specialist to support you with developing a well-defined plan to address the findings.

MJB:AMB:Ish

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mr. Wilson

Mrs. Camp

Mrs. Chen

Ms. Diamond

Dr. Zarchin

Mr. Tallur

Ms. Webb

**FINANCIAL MANAGEMENT ACTION PLAN**

**Report Date:** FY2019

**Fiscal Year:** FY2019

**School:** Rosa M. Parks MS - 155

**Principal:** Jewel Sanders

**OSSI**

**Associate Superintendent:** Mr. Eric Wilson

**OSSI**

**Director:** Dr. Mike Zarchin

**Strategic Improvement Focus:**

As noted in the financial audit for the period 1/1/18 - 5/31/19, strategic improvements are required in the following business processes :

All sponsors will comply with MCPS financial procedures

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Train / meet with all sponsors to review MCPS Financial Procedures	Al Sisco Jewel Sanders	-Staff Handbook -School Finance Handbook	-attendance -IAF remittance slips	Al Sisco Jewel Sanders  -Pre-service -throughout the year	-All funds will be submitted daily to the school financial specialist for prompt deposit.

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> FY2019	<b>Fiscal Year:</b> FY2019
<b>School:</b> Rosa M. Parks MS - 155	<b>Principal:</b> Jewel Sanders
<b>OSSI</b> <b>Associate Superintendent:</b> Mr. Eric Wilson	<b>OSSI</b> <b>Director:</b> Dr. Mike Zarchin
<p><b>Strategic Improvement Focus:</b>                  As noted in the financial audit for the period <u>1/1/18 - 5/31/19</u>, strategic improvements are required in the following business processes :</p> <p>All staff will follow MCPS procedures for purchasing and receiving goods</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Train / meet with staff during pre-service to train on using the correct MCPS form for purchasing	Al Sisco Jewel Sanders	MCPS Form 280-54	attendance	Al Sisco Jewel Sanders  -Pre-service	-all staff know how to accurately complete the form -Purchase requests will have the principal's approval prior to purchase
Train / Meet with staff to discuss / share procedures for purchasing materials	Al Sisco Jewel Sanders	staff handbook outlining MCPS purchasing procedures	attendance	Al Sisco Jewel Sanders  -pre-service -throughout the school year	-all staff will complete and submit Form 280-54 to receive prior approval to purchase -Purchase requests will have the principal's approval
Train all staff who purchase goods or services on how to receive purchased merchandise	Al Sisco	staff handbook outlining MCPS purchasing procedures; review audit	attendance; successful completion of a mock exchange of receiving merchandise	Al Sisco  -pre-service -throughout the school year	-purchases will indicate that purchase goods were satisfactorily received
Financial assistant will monitor all received invoices and stamp them "paid" once payment has been rendered	Al Sisco	School Finance Handbook	stamped invoices	Jewel Sanders  -throughout the year	-all invoices will be stamped or marked paid

## FINANCIAL MANAGEMENT ACTION PLAN

**Report Date:** FY2019

**Fiscal Year:** FY2019

**School:** Rosa M. Parks MS - 155

**Principal:** Jewel Sanders

**OSSI**

**Associate Superintendent:** Mr. Eric Wilson

**OSSI**

**Director:** Dr. Mike Zarchin

**Strategic Improvement Focus:**

As noted in the financial audit for the period 1/1/18 - 5/31/19, strategic improvements are required in the following business processes :

The Outdoor Environmental Education Program (OEEP) sponsor will comply with the OEEP Grade 6 Residential Program Handbook and Planning Information

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Work with OEEP Sponsor to ensure that all procedures are following	Al Sisco Jewel Sanders	-OEEP Grade 6 Residential Program Handbook and Planning Information	-accurate of students attending OEEP -accurate collection of funds for student attendance	Al Sisco Jewel Sanders  -May	-accurate headcount of students -accurate reporting of students needing financial assistance

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

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

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

Comments:

Director: Michelle Sel Date: 8-13-19