


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

December 28, 2015

MEMORANDUM

To: Ms. Kelly Morris, Principal  
Somerset Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
November 1, 2011, through October 31, 2015

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 16, 2015, with you and Ms. Susan Stringham, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated December 16, 2011, 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

Disbursement of IAF must be controlled in a number of ways. All purchases must be approved in advance and in writing using MCPS Form 280-54, *Request for a Purchase*, 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. After the purchase is completed, the purchaser should submit the invoice or documented evidence of purchase, signed to indicate the satisfactory receipt of the goods or services, to the administrative secretary. A check may then be drawn and it must bear two signatures, one of which is that of the principal or acting principal. Documentation supporting purchases should then be stamped or marked "Paid" and filed. We again found instances where purchases were not approved in advance, invoices were not marked that goods were received, and supporting documentation was not marked or stamped "Paid." By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and that complete documentation be attached to fully explain the reason for the purchase.

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the administrative secretary along with MCPS Form 280-34, *MCPS Remittance Slip*. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (see MCPS Financial Manual, p.7-4). As previously reported, we found that staff collecting funds continued to hold money rather than remitting to the administrative secretary on a daily basis. Remittances were not always promptly deposited into the school's bank account. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected should be remitted to the administrative secretary daily and promptly deposited.

#### 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 and receipts must be annotated as "Paid" to indicate disbursement was made (repeat);
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the administrative secretary (repeat); and
- Funds remitted must be promptly deposited in the bank by the administrative secretary (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 Mrs. Cheryl Smith, director of

Ms. Kelly Morris

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elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:AB:sd

Copy to:

Dr. Zuckerman

Dr. Statham

Dr. Navarro

Dr. Kimball

Mrs. Chen

Mrs. DeGraba

Mrs. Milwit

Mrs. Smith

**Fiscal Management Action Plan**

**School:** Somerset Elementary School  
**Approved by community superintendent:** \_\_\_\_\_

**Principal:** Kelly Morris

**Date of approval:** \_\_\_\_\_

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>1) Purchase requests must be approved by the principal prior to procurement.</p> <p>Purchaser must confirm receipt of goods or services prior to disbursement.</p> <p>Purchase invoices and receipts must be annotated as "Paid" to indicate disbursement was made.</p>	<p>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 for any expense. Staff members who do not secure advance approval will not receive reimbursement for purchases.</p> <p>The invoice/receipt will be signed and dated by the receiver confirming delivery of the item.</p> <p>Invoice/receipt will be posted as "paid" once processed by the financial agent.</p> <p>Person(s) Responsible: Principal, staff requesting purchase, admin secretary/financial agent</p>	<p>As needed.</p> <p>PAID stamp ordered from Office Max on 1/5/16.</p>	<p>Completed 280-54 with documentation of purchase, receipt of items, and confirmation that expense is paid/reimbursed by office (PAID stamp on invoice/receipt).</p> <p>Memo to staff reinforcing policy (attached) distributed to staff on 1/15/16. Admin secretary to present info at next staff meeting.</p> <p>PAID stamp in use on invoices and receipts.</p>
<p>2) Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the administrative secretary.</p> <p>Funds remitted must be promptly deposited in the bank by the administrative secretary.</p>	<p>Cash collected by sponsors from teachers will be counted in front of the administrative secretary and documented using form 280-34. Administrative secretary will sign form as documentation of receipt. All funds will be submitted to the office on a daily basis prior to 1:00 p.m. Admin will promptly process submission through SFO, returning 280-34 to teacher or sponsor with the corresponding receipt.</p> <p>Adult on staff will make daily deposits if at all possible and at minimum, deposit will be made at the end of each week/end of month regardless of whether the amount is less than \$250.</p> <p>Person(s) Responsible: Admin secretary, sponsors, teachers</p>	<p>Daily sponsor submission of funds to office.</p> <p>Corresponding daily receipt of funds (280-34 signed by admin sec).</p> <p>Deposits daily as needed.</p>	<p>Memo to staff reinforcing policy (attached) distributed to staff on 1/15/16. Admin secretary to present info at next staff meeting. (pre-empted @ staff meeting 2/11/16)</p> <p>Receipts of funds submitted and bank deposit statements.</p>

## **IMPORTANT FINANCIAL INFORMATION**

### **PURCHASES**

- 1) If you are interested in purchasing something on behalf of the school, you must complete and have Kelly sign Form 280-54 **PRIOR TO MAKING YOUR PURCHASE**. Be sure to include detailed rationale of the purchase on the form or attach separate information. If you don't know the exact cost of your purchase, please estimate.
- 2) Once Kelly has approved the request (Susan will send you an email giving you the status), you may go ahead with your purchase.
- 3) After the purchase has been made and you have received the item(s), bring the receipt/proof of purchase/invoice to the office and Susan will attach it to the 280-54. Be sure to indicate the date you received the goods, mark it "OK to pay" and sign the documentation itself.
- 4) Staff members who do not secure advance approval will not receive reimbursement for purchases.

### **COLLECTION OF FUNDS**

- 1) Any funds collected by staff (such as field trip fees) must be promptly remitted to the trip sponsor with a completed MCPS Form 280-34. Please be sure to permit the sponsor time to verify the collection and prepare the paperwork for office submission by 1:00 pm.
- 2) With each submission, the sponsor will bring to the office:
  - A) Completed Form 280-34 – IAF Remittance Slip from each teacher (new with each submission);
  - B) Form 280-41 – Field Trip Accounting Form from each teacher (single form updated with each submission to the sponsor); and
  - C) Form 281-21 – IAF Sponsor's Record from sponsor (single form updated with each submission to office).

- 3) Cash collected by sponsors from the teachers will be counted in front of the administrative secretary (or another office staff member) who will sign the form as documentation of receipt.
- 4) ALL FUNDS WILL BE SUBMITTED TO THE OFFICE ON A DAILY BASIS PRIOR TO 1:00 PM.
- 5) It is important that staff NOT hold funds overnight.

If you have any questions, please ask Susan.