


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 14, 2019

MEMORANDUM

To: Ms. Kelly Morris, Principal
Somerset Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2015, through December 31, 2018

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 30, 2019, meeting with you and Ms. Susan E. Stringham, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated December 28, 2015, 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

Before the IAF is used to pay for staff development expenditures, the availability of budgeted funds must first be considered. If the principal determines that the IAF is to be used for any staff development expenditure, the source of the funds may not be student generated (refer to *MCPS Financial Manual*, chapter 20, page 10). We found that you used student generated funds to

support staff development. We recommend that you adhere to the MCPS requirement for the source of funds to support staff development.

A school must work with the operating budget staffing allocations provided. IAF funds cannot be used to supplement staff positions or to pay for work such as summer employment, substitutes, etc. (refer to *MCPS Financial Manual*, chapter 20, page 21). We found that you used IAFs to pay for two paraeducators and a secretary to work additional hours during the summer. We recommend that you coordinate with your director in the Office of School Support and Improvement to initiate any request for additional staffing hours or positions above and beyond those allocated to your school.

Summary of Recommendations

- Staff development expenditures must be funded from non-student revenue sources.
- A school must work with the operating budget staffing allocations provided.

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.

RWP:SMY:lsh

Attachment

Copy to:

Members of the Board of Education
Dr. Smith
Dr. Navarro
Dr. Statham
Dr. Zuckerman
Mr. Civin
Dr. Johnson
Mrs. Morris
Mrs. Camp
Mrs. Chen
Ms. Diamond
Mr. Reilly

Mr. Tallur
Mr. Wilson

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2/14/2019

Fiscal Year: 2/14/2019

School: Somerset ES - 405

Principal: Kelly Morris

OSSI

Associate Superintendent: Diane Morris

OSSI

Director: Eric Wilson

Strategic Improvement Focus:

As noted in the financial audit for the period 11/1/15-12/31/18, strategic improvements are required in the following business processes :

Guarantee that only non-student generated funds are used for Staff Development expenses. Supplemental employment can only occur with staffing approval, not thru IAF.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Somerset ES does not have a cell tower and usually receives less than \$25 per Royalle commission check. Since staff development expenses cannot be covered by student generated funds, Somerset will no longer make purchases that would qualify as "staff development" unless those expenses are covered by the PTA.	Principal, Assistant Principal, Admin Secretary, SDT	PTA funds and list of qualifying expenses approved by PTA	Review of monthly accounting reports, especially staff development (0013) and PTA (0025).	Ongoing by Principal and Admin Secretary	Unless PTA agrees to reimburse the school for staff development expenses, there will be no staff development purchases.
It has been suggested by the auditor that the PTA provide a set amount of funds to the school each year with written instructions as to which expenses qualify for those funds.					Staff development expenses incurred after prior PTA approval will be charged to the staff development account (0013.0000).
					Funds from the PTA will be deposited into the PTA (0025.0000) account and transferred to the staff development account to cover appropriate expenses.
Paraeducators and clerical help will not be hired for additional summer work beyond that permitted by staffing.	Principal, Admin Secretary	N/A	Review of monthly accounting reports	Ongoing by Principal and Admin Secretary	No summer work or additional work performed by MCPS employees outside of the staffing allocation will be permitted.

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: _____



Date: _____

3/2/19