

Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

September 11, 2015

MEMORANDUM

To: Ms. Karen Y. Bryant, Principal
Silver Spring International Middle School

From: Roger W. Pisha, Supervisor, Internal Audit *RWP*

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2013, through May 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 September 9, 2015, with you and Mrs. May Salloum-Shraim, financial specialist, we reviewed the status of the conditions described in our prior audit report dated November 20, 2013, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2015. 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

Reconciliation of the school's monthly bank checking account statement must be completed by a person independent of daily accounting transaction input. Monthly reports, including the bank

reconciliation, are to be presented to the principal no later than the 20th of the month following the close of each month. The principal shall review these reports, sign and date them to indicate this review, and return them to the financial specialist to be filed with other monthly reports (see MCPS Financial Manual, pp. 20-9, 20-27). We found that bank reconciliations were not completed timely. We recommend that a designated staff member perform the bank reconciliation each month as soon as all entries through the last day of the month have been recorded by the financial specialist.

Prior to the disbursement of any IAF, the financial specialist will ensure that the staff member who made the purchase provides adequate documentation to support payment such as original itemized receipt or invoice and written indication that goods and services were received in the quantity and quality required. MCPS Form 280-54, *Request for a Purchase*, alone is not considered adequate documentation to support disbursements (see MCPS Financial Manual, p. 20-6). In our random sample, we found that some disbursements did not have adequate documentation to fully explain the reason for the expenditure, and invoices were not always signed by the receiver. By requiring complete documentation and verification of items received, the principal retains control over the expenditure of IAF funds. We recommend that complete documentation, signed by the receiver to indicate satisfactory receipt, be attached to fully explain the reason for the purchase.

The management of IAF's must be in accordance with good business practices that include sound accounting procedures and internal controls to ensure that programs meet the school's goals and objectives. Documentation for receipt of student obligation payments should include a comprehensive system report to support daily collection of student obligations. We found that obligation receipts were supported only by copies of individual student receipts. We recommend that the financial specialist include a comprehensive list of paid obligations from the obligation software to indicate names of students and amounts paid by cash and check.

Admission receipts for school events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. 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. For ticketed events, the forms on file appeared to have been initiated after the conclusion of the activity, rather than when tickets were issued by the ticket controller to the admissions manager. In many instances, the dates signed by the ticket controller, admissions manager, and report auditor do not appear to be the actual dates the related tasks had been completed. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events.

Summary of Recommendations

- Monthly checking account reconciliation must be timely performed by someone other than the financial specialist;

- MCPS Form 280-54, *Request for a Purchase*, alone is not considered adequate documentation to support disbursements (repeat);
- Purchaser must confirm receipt of goods or services prior to disbursement (repeat);
- Daily obligation receipts must be supported by a comprehensive list of student names and amounts paid by cash and check; and
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

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 Dr. Darryl L. Williams, associate superintendent of secondary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:DKH:sd

Copy to:

Dr. Zuckerman
Dr. Statham
Dr. Navarro
Dr. Williams
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit
Mrs. Morris

Fiscal Management Action Plan

School: Silver Spring International Middle SchoolPrincipal: Ms. Karen Bryant

Approved by associate superintendent: _____ Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
“Monthly checking account reconciliation must be timely reformed by someone other than the financial specialist.”	Mr. Doug Nelson, Assistant Principal, has been assigned as the person who will complete the reconciliation. The principal will then review, sign and return to the financial specialist before the 20 th of each month.	Monthly	Monthly signed and dated (by the 20 th of each month) reports.
“MCPS Form 280-54 – Request for Purchase, alone is not considered adequate documentation to support disbursements (repeat):”	Staff has been trained with emphasis on completing the proper paperwork for request for purchase with appropriate documentation to support the need for purchase and the actual purchase. It was stressed that if purchases were made without prior approval and documentation, reimbursements may not be made. Appropriate staff have been provided the tax exempt card.	Training: Summer and Pre-service Daily: for all transactions	Appropriate documentation attached to requests.
“Purchaser must confirm receipt of goods or services prior to disbursement”	Teachers/staff are now required to sign the invoice/packing slip confirming the goods as ordered have been received.	Daily: for all transactions	Signed invoice/packing slips in the financial management binder with purchase requests.
“Daily obligations receipts must be supported by a comprehensive list of student names and amounts paid by cash and checks.”	The financial specialist will be attending training next week on SIMS on October 15, 2015, whereby she will be implementing the on-line teacher obligation system.	October 2015	Implementation of the on-line obligation system.
“Admissions events must be conducted in accordance with MCPS Regulations DMB-RA.”	Training for procedures for sale of tickets will be provided to staff and parents who sponsor ticketed events. All tracking and reconciliation forms will be including during the events and the administrator chaperoning will be monitoring.	Ongoing	Forms accurately completed

Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.