


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

October 9, 2018

MEMORANDUM

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

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

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2017, through August 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 there is compliance with policies, regulations, and procedures and that any significant errors or omissions in the financial records are detected.

At our September 24, 2018, meeting with you and Mr. Jorge L. Berrios, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated April 10, 2017, 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

Transfers of funds between general ledger accounts may be made only after MCPS Form 281-46, *Independent Activity Funds – Transfer*, has been executed by both the account sponsor and the principal. Transfers must be fully documented and adhere to MCPS guidelines for allowable uses of funds (refer to *MCPS Financial Manual*, chapter 20, page 12). We found that neither MCPS

Form 281-46 was being prepared for principal approval nor was the School Funds Online (SFO) generated transfer form signed by the principal. We also noted instances where funds were transferred to inappropriate accounts or supporting documentation was not adequate. The majority of fund transfers were done at the end of the fiscal year when sponsors were no longer available to approve them. To improve internal controls, we recommend that fund transfers be reviewed to ensure that requests are supported by proper documentation and that they meet requirements for appropriate use of funds, prior to presenting requests to the principal for approval.

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, bank reconciliation report, and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date (refer to *MCPS Financial Manual*, chapter 20, page 9). We could find no indication that all of these important reviews were completed consistently during our audit period. We also found that monthly bank reconciliations were consistently prepared late, and that the general ledger report was not being prepared and given to the principal each month for review. We recommend that you initiate a process that insures this important internal control process occurs monthly.

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account history report for each month in which transactions have been recorded in their account, or account has a balance (refer to *MCPS Financial Manual*, Chapter 20, page 10). We found this essential internal control procedure was not being used every month. We recommend that sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the statements should be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all statements are reviewed and returned.

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase. 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. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt (refer to *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements, we found prior approval was not consistently obtained and documentation was not annotated by the recipient to indicate purchased goods or services were satisfactorily received. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditure and signed by the principal at the time verbal approval is sought. Certain sponsors would benefit from having an annual budget detailing expected income and expenses and obtaining principal approval at the beginning of the school year. These budgets should be monitored by the school's financial agent and revised if necessary.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card Users 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, with all purchase receipts and invoices attached. The principal must review each cardholders' transactions and approve them by the tenth

of the following month, using the online reconciliation program. We found that some cardholders had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the principal had not approved all transactions online. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the school financial specialist. 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 (refer to *MCPS Financial Manual*, chapter 7, pp. 4-5). We found that some sponsors were holding funds collected rather than remitting them to the school financial specialist on a daily basis. To minimize the risk of loss, all funds collected should be remitted daily. We recommend that staff be encouraged to submit cash and checks collected for IAF activities to the school financial specialist for prompt deposit in accordance with MCPS policy and procedures. In addition, all remittances on hand must be deposited before each weekend or holiday.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms, signed by the principal, must contain all expense information, any subsidy information, and the field trip cost to be charged per student. Field trip sponsors should record student payments on MCPS Form 280-41, *Field Trip Accounting*, or equivalent, compare financial data to the final IAF account history report, and submit their reconciliation to the school financial specialist when a trip is completed (refer to *MCPS Financial Manual*, chapter 20, page 10). We found that not all field trip approval forms included sufficient information to indicate how cost was determined, and one June trip did not have the required Office of School Support and Improvement approval on file. Two trips calculated the need for substitute teachers but payments for these substitute costs were never remitted to MCPS. Review of field trip activities also revealed that one field trip fund accounting did not agree with the SFO account history report receipt information and no follow-up was done. We noted that staff members who took students to France were allowed to make ATM cash withdrawals without providing reports to detail the nature of the expenses for which the funds were used. We recommend that sponsors provide all pertinent information on their field trip request for approval form, provide a financial reconciliation report to the school financial specialist at the conclusion of the trip, and explain any discrepancies.

Summary of Recommendations

- Transfers of funds must be supported by MCPS Form 281-46, signed by the principal and comply with appropriate use of funds.
- IAF must be managed in accordance with sound accounting practices and effective internal control procedures.
- Monthly financial reports must be signed and dated by the principal to indicate review.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the financial agent.
- 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 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.
- Field trip request for approval forms must contain all relevant information and records prepared by sponsors must provide comprehensive data to reconcile funds collected with costs of the trip.

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 Mrs. Jennifer L. Webster, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mrs. Webster will indicate whether she 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.

RWP:MJB: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. Tallur

Mrs. Webster

Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 10/09/18	Fiscal Year: 10/09/18
School: Silver Spring International MS - 647	Principal: Ms. K. Bryant
OSSI Associate Superintendent: Ms. D. Morris	OSSI Director: Ms. J. Webster
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>3/1/17 - 08/31/</u>, strategic improvements are required in the following business processes :</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Transfer of funds must be supported by MCPS Form 281-46, signed by the principal and comply with appropriate use of funds.	Financial Specialist (FS) Principal (P)	Refresher training for Financial Specialist; knowledge of job	Use of MCPS Financial checklists used during weekly meetings. Refresher training obtained for FS & P in October 2018	Financial Specialist Principal Weekly meetings	The 281-46 will be used whenever a transfer of funds between accounts is necessary. Principal signature/authorization will be obtained.
IAF must be managed in accordance with sound accounting practices and effective internal control procedures.	Financial Specialist Principal	Refresher training for Financial Specialist and Principal	Use of MCPS Financial checklists used during weekly meetings. Refresher training obtained for FS & P in October 2018	Financial Specialist Principal Weekly meetings	IAF management will adhere to MCPS approved guidelines and policy.
Monthly financial reports must be signed and dated by the principal to indicate review.	Financial Specialist Principal	Access to bank statements at start of each month; deploy process timely	Monthly reconciliation process checklist in weekly meetings. Organization of internal processes for timely implementation of internal control procedures.	Financial Specialist Statement Reconciler Weekly mtgs	All financial reports will be submitted to the Principal w/n predetermined time frame for review, signature, and date.
Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the financial agen.	Account Sponsors Financial Specialist	Monthly acct. Reports Refresher training for Account Sponsors	Monthly reviews completed w/n predetermined time frame. Refresher training for Sponsors in November 2018.	Account Sponsors Financial Specialist Principal Weekly meetings	FS will provide monthly reports to Sponsors who will review and submit w/n predetermined time frame.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchase requests must be approved by the principal prior to procurement. Purchaser must confirm receipt of goods or services prior to disbursement.	Staff Financial Specialist Principal	Refresher staff training provided by FS.	FS will communicate process to staff (ongoing). Principal will monitor purchase requests with FS during weekly meeting and daily communication as nec.	Staff: upon receipt of goods or services FS Daily, per request P, weekly mtgs; as necessary.	All purchases will be pre approved by the Principal or Principal's designee. Staff will confirm receipt of goods & services prior to disbursement.
Purchase card activity must comply with the MCPS Purchasing Card User's Guide.	P-Card Holders	Refresher training on P-Card use by FS	FS received refresher training; provided refresher training for P-Card holders in October 2018	Financial Specials Monthly basis Principal Weekly meetings/ Monthly	Purchase Card holders will use cards in compliance with the MCPS Purchasing Card User's Guide.
Funds collected by sponsors must be promptly remitted to the school financial specialist.	Staff Sponsors Financial Specialist Principal	Refresher training for Staff Sponsor and FS	FS will communicate process to staff (ongoing). Principal will monitor with FS during weekly meetings and daily communication as necessary.	Financial Specialist during each collection event. Principal weekly mtg w/FS	Sponsors will promptly submit collected funds to Financial Specialist.
Field trip request for approval forms must contain all relevant information and records prepared by sponsors must provide comprehensive data to reconcile funds collected with cost of the trip.	FT Sponsors Admin FT Reviewer Financial Specialist Principal	Refresher training for FT Sponsors & Financial Specialist	Each FT event will include process review with Sponsor provided by Financial Specialist.	FT Admin Reviewer, Financial Specialist, Principal, for each FT request/event	Field Trip request for approval forms will contain all relevant information & keep comprehensive data to reconcile funds post-trip.

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

Approved Please revise and resubmit plan by _____

Comments:

Director: _____



Date: 11/8/18