


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

January 20, 2015

MEMORANDUM

To: Mr. Egon F. Kaplan, Principal
Strawberry Knoll Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2011, through November 30, 2014

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 January 16, 2015, with you, Mrs. Elise Burgess, principal intern, and Mrs. Brenda Anderson, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated April 19, 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

MCPS Form 280-54, *Request for a Purchase*, is used 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. Invoices for goods or services must be stamped as "Paid", and signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, we again found prior approval was not obtained when required for most purchases. Invoices were not always stamped as "Paid" or signed by the receiver. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by the principal at the time verbal approval is sought, and that invoices are stamped as "Paid" and marked received (see MCPS Financial Manual, p. 20-6).

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly and intact to the administrative secretary together with a current remittance slip. Cash should be counted in the presence of the remitter, and a receipt that is supported by the remittance slip should be issued promptly. MCPS Form 280-34, *Remittance Slip*, is required for student fees because it identifies the source and purpose of remittances and helps ensure that fees collected will be properly recorded. We found that many sponsors were holding funds collected rather than remitting them to the administrative secretary on a daily basis, many used an outdated remittance slip, and many did not properly complete remittance slip. To improve controls, we recommend adoption of the procedures in the IAF manual (see MCPS Financial Manual, p. 7-4).

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Although most sponsors are submitting a fund-raiser request form for your approval to conduct an activity, they are not submitting a completion report at the conclusion of the activity so that results could be evaluated. A completion report for an activity involving the sale of items should include the total number of items for sale and cost of each, selling prices, and any remaining inventories to determine whether all sums collected were remitted to the administrative secretary. Following internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the activity.

Sponsors of field trips should have a complete class roster of student names to annotate the amount each student paid, date paid, eligible students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be provided to the administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report. The data also can be used to estimate the cost of future trips. We found that not all sponsors are providing completed data at the conclusion of each trip, and that data is not being compared to the final account history report nor used for planning future trips. We also found instances in which fees collected exceeded sums needed to pay for a trip. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip. We further recommend trip planning be reviewed to ensure established fees are commensurate with trip expenses (see MCPS Financial Manual, p. 20-10).

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (repeat);
- Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the financial agent;
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund-Raiser*; and
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip.

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. Myra J. Smith, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

Mr. Bowers
Dr. Navarro
Dr. Statham
Mr. Sanderson
Dr. Smith
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

Fiscal Management Action Plan

School: Strawberry Knoll Elementary School
 Approved by community superintendent: _____

Principal: E. Frank Kaplan
 Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>W/P 9F 3 Purchases: All purchases were not being consistently pre-approved by the principal. Not all invoices were stamped paid or marked to indicate items or services were received satisfactorily. Documentation to support payment to subcontractor for cleaning fish tank each month was missing.</p>	<p>All purchases need to be pre-approved by the principal unless the school has a spending limit or budgets outlined in writing. All invoices need to be stamped and paid and marked that items have been received and OK to pay.</p>	<p><u>August 19, 2014</u></p> <p><u>January 29, 2015</u></p> <p><u>January 30, 2015</u></p> <p><u>January 19, 2015</u></p>	<p>The principal reviewed MCPS protocol for staff to request approval for purchase and reimbursement of school-related materials (as noted in the school handbook.)</p> <p>The principal reviewed the auditor's findings and recommendations regarding fiduciary accountability measures with the school's leadership team.</p> <p>The principal also communicated expectations and fiduciary protocol to staff via memo.</p> <p>Documentation to account for payment to subcontractor for cleaning fish tank filed.</p>
<p>W/P 13F 4 Cash Receipts: A review of cash remittance show staff members are holding funds instead of remitting each day received. Staff members use the outdated remittance slip and do not always include their name and/or indicate the assigned account number on the form.</p>	<p>Staff members must remit funds collected each day and always before a weekend or holiday. They should use most up to date forms and fully complete them to lessen likelihood of errors.</p>	<p><u>August 19, 2014</u></p> <p><u>January 29, 2015</u></p> <p><u>January 30, 2015</u></p>	<p>The principal reviewed MCPS requirements for staff to submit funds collected to the administrative assistant daily (as noted in the school handbook.)</p> <p>The principal reviewed the auditor's findings and recommendations regarding fiduciary accountability measures with the school's leadership team.</p> <p>The principal also communicated expectations and fiduciary protocol to</p>

<p>W/P 22M 2 Fundraisers: Not all fundraisers had a request form. Some of the request forms did not have enough information to explain the fundraiser-purpose. Findings show no completion reports on file and no analysis of activity. Staff held funds at times without daily submission.</p>		<p><u>January 19, 2015</u></p>	<p>staff via memo. The outdated remittance form has been replaced with the up-to-date remittance form available online and included in the school handbook.</p>
<p>W/P 22M 2 Fundraisers: Not all fundraisers had a request form. Some of the request forms did not have enough information to explain the fundraiser-purpose. Findings show no completion reports on file and no analysis of activity. Staff held funds at times without daily submission.</p>	<p>All fundraisers must have a request form prior to starting activity and a completion form that analyzes results. If there are any unsold items, then an inventory reports needs to be completed and an analysis included to show if remaining items will be sold. All funds collected need to be submitted to the administrative secretary on the day received and intact. If there is a shortage this needs to be explained on the completion report.</p>	<p><u>August 19, 2014</u> <u>January 29, 2015</u> <u>January 30, 2015</u></p>	<p>The principal reviewed MCPS procedures for staff to account for fundraiser monies (as noted in the school handbook.) The principal reviewed the auditor's findings and recommendations regarding fiduciary accountability measures with the school's leadership team. The principal also communicated expectations and fiduciary protocol to staff via memo. Included in the memo and added to the staff handbook is a form for fundraiser sponsors to complete and submit to the school's administrative assistant to evidence collection and money and analysis of items sold/remaining.</p>
<p>W/P 26 0 Field Trips: Not all sponsors are submitting a complete final field trip accounting. It appears many staff hold money instead of submitting each day funds are received. Some trips were overpriced and not all used fieldtrip calculator to determine fieldtrip cost for transportation. Fifth grade fundraiser profits were used to supplement other grades' trips instead of reducing the cost of the fifth grade DC fieldtrip.</p>	<p>All fieldtrip sponsors need to submit a completed final field trip accounting. A designated staff member needs to reconcile each trip to account to determine if all money collected was submitted. If a class trip, is less than the cost defrayed from a class fundraiser, then the money remaining cannot be reallocated to another class/grade fieldtrip. Staff should use the field trip calculator to price trips and submit to the administrative secretary along with the field trip request so the principal can ascertain how the field trip cost was determined and not overstated.</p>	<p><u>August 19, 2014</u> <u>January 29, 2015</u></p>	<p>The principal reviewed MCPS protocol for staff regarding the planning of fieldtrips to include the following: principal approval, price based upon fieldtrip calculator, and daily collection/submission of fieldtrip monies (as noted in the staff handbook.) The principal reviewed the auditor's findings and recommendations regarding fiduciary accountability measures with the school's leadership team.</p>

		<p><u>January 30, 2015</u></p>	<p>The principal also communicated expectations and fiduciary protocol to staff via memo. Grade-level team leaders will work with their grade level-colleagues to ensure monies collected are submitted daily. Additionally, the administrative assistant and the school's principal/principal-intern will monitor the daily submission of fieldtrip monies collected by classroom teachers daily.</p>
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Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.