


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 8, 2018

MEMORANDUM

To: Dr. Zadia T. Gadsden, Principal
Takoma Park Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2014, through November 30, 2017

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 and are charged with determining the manner in which funds are raised and expended for activities such as field trips, admission events, and fund-raisers. They are responsible for ensuring that the IAFs are administered in accordance with MCPS policies, regulations, and procedures.

The 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 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 MCPS policies, regulations, and procedures and that any significant errors or omissions in the financial records are detected.

At our February 1, 2018, meeting with you and Ms. Johanna A. Paz, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated December 9, 2014, 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

The principal is responsible for all monies received or disbursed within the school as well as the implementation of internal controls for achieving compliance with MCPS policies, regulations, and procedures pertaining to these funds. Internal controls are steps taken to ensure that the underlying data and assets are complete, reliable, and protected (refer to *MCPS Financial Manual*,

chapter 20, pp. 2 and 8). We found weaknesses in internal controls over operations resulting in untimely bank deposits, checks and receipts issued out of numerical sequence, expenditures recorded in improper accounts, and poor maintenance of financial records. We recommend improvement to internal controls that initiates a monitoring process to enforce IAF policies, regulations, and procedures in order to promote timely and accurate reporting of data.

Sponsors of school activities involving the collection or disbursement of IAF should be provided an account statement for each month in which transactions have been recorded in their accounts. After any discrepancies are resolved, the statements should be signed and dated by the sponsor to attest to their accuracy, and returned to the school administrative secretary (refer to *MCPS Financial Manual*, chapter 20, page 42). We found that this essential procedure was not being utilized. We recommend sponsors be given a monthly statement of their accounts, be required to verify that all transactions affecting the account have been correctly recorded, and return the statements to the school administrative secretary.

Cash and checks collected by sponsors for IAF activities should be recorded on MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, for prompt submission to the school administrative secretary and timely deposited to the bank (refer to *MCPS Financial Manual*, chapter 7, page 4). We found sponsors were not entering all the required information on MCPS Form 280-34, and these forms were not always signed, dated, and numbered by the school administrative secretary. In addition, sponsors were holding funds collected rather than remitting them on a daily basis to the school administrative secretary who did not verify the funds in the presence of the remitter for prompt deposit. We recommend that staff be encouraged to fully complete MCPS Form 280-34 and promptly remit funds collected for IAF activities to the school administrative secretary for joint verification and prompt deposit.

Once written, a check or receipt shall not be erased or altered. If an error is discovered, the check or receipt should be marked "void" and a replacement issued. Any misprinted check or receipt should be entered into the accounting system, and the voided check and all parts of any voided receipt form should be defaced and retained (refer to *MCPS Financial Manual*, chapter 7, page 4 and chapter 20, page 6). We found that this practice was not being followed. In some cases, the computer-generated check or receipt number did not agree with the inventory stock number. These errors caused delays in generating the monthly bank reconciliation report. We recommend that checks and receipts written in error be properly voided in accordance with the *MCPS Financial Manual*.

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 should be retained. The school administrative secretary should establish a separate account in the IAF for each trip. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and submit the data to the school administrative secretary when a trip is completed (refer to *MCPS Financial Manual*, chapter 20, page 9). The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. A review of field trip activities disclosed that in most cases, sponsors did not prepare the final comprehensive

financial information, and most reports did not appear to have been analyzed by the school administrative secretary. We recommend that all sponsors be required to use MCPS Form 280-41, or equivalent, and follow the procedures outlined above. In addition, we recommend that the school administrative secretary complete a reconciliation of field trip activity as soon as the final comprehensive data is received from the sponsor.

Summary of Recommendations

- IAF must be managed in accordance with sound accounting practices and effective internal control procedures (**repeat**).
- Monthly account history reports must be provided to sponsors to affirm transaction correctness and returned to the school administrative secretary (**repeat**).
- Funds collected by sponsors must be promptly remitted with fully completed MCPS Form 280-34 to the school administrative secretary for verification and prompt deposit (**repeat**).
- Checks or receipts with errors must be voided according to *MCPS Financial Manual* (**repeat**).
- 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 (**repeat**).

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 school support and improvement of elementary schools. 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 financial agent to support you with developing a well-defined plan to address the findings.

RWP:BK:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

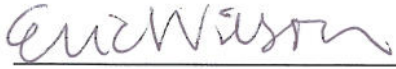
Dr. Johnson

Dr. Kimball
Mrs. Camp
Mrs. Chen
Ms. Diamond
Mr. Reilly
Mr. Tallur
Mr. Wilson
Mr. Ikheloa

Fiscal Management Action Plan

School:

Principal: Zadia T. Gadsden

Approved by Director of School Support & Improvement:  Date of approval: 6-5-18

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Bank deposits, checks, receipts will be issued in numerical sequence (internal control)	Johanna Paz, Administrative Secretary	2/9/18- perpetuity	
Expenditures will be recorded in the proper accounts (internal control)	Johanna Paz, Administrative Secretary	2/9/18- perpetuity	
School finance Training will be attended by the administrative secretary (I & II) and principal (I)	Johanna Paz, Administrative Secretary	April 3, 2018	
Sponsors of school activities will be provided a statement each month in which transactions are recorded	Johanna Paz, Administrative Secretary	2/9/18- perpetuity	
Funds collected by sponsors will be promptly remitted with form 280-34 and deposited on the same day	Johanna Paz, Administrative Secretary	2/9/18- perpetuity	
Checks and receipts with errors will be voided, entered into the accounting system, defaced and filed.	Johanna Paz, Administrative Secretary	2/9/18- perpetuity	
Field trips will be approved by the principal with form 280-41 completed with participants and sums collected listed.	Johanna Paz, Administrative Secretary	2/9/18- perpetuity	

Bi-weekly meetings will be held with the administrative secretary to ensure compliance with school finance policy and regulations	Zadia T. Gadsden, Principal	2/9/18- perpetuity	
Deposits will be made by 2:00 p.m. daily when funds are received	Johanna Paz, Administrative Secretary	2/9/18- perpetuity	

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