


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

June 24, 2019

MEMORANDUM

To: Mrs. Irina LaGrange, Principal  
Tilden Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
January 1, 2018, through April 30, 2019

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 June 12, 2019, meeting with you, and Ms. Irma Mendez, school financial specialist, we reviewed our prior audit report dated March 5, 2018, and the status of present conditions. It should be noted that Ms. Mendez's appointment as school financial specialist was effective November 14, 2018. 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, *Independent Activity Funds Request for a Purchase*, is used to obtain the principal's approval to proceed with an intended purchase. After acquisition, the purchaser should submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the school financial specialist. Upon

disbursement, the documentation is to be stamped or marked "paid" to preclude duplicate payment (refer to *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal and receipts were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received. We recommend that the IAF purchases comply with MCPS procedures.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card User's Guide*. By the fifth 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 or delegated approver, with all purchase receipts and invoices attached. The principal or delegated approver must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. We noted that some cardholders had not promptly reviewed their transactions in the online reconciliation program. We also noted that the principal had not approved all transactions by signing monthly statements to verify review or by reviewing transactions online as required. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with the *MCPS Purchasing Card User's Guide*.

To properly control funds, all cash and checks collected by sponsors for IAF activities should be remitted promptly to the school financial specialist. These funds should then be verified in the presence of the remitter and a receipt that is supported by MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, should be issued promptly (refer to *MCPS Financial Manual*, chapter 7, page 4). We found instances in which funds were held by sponsors rather than being remitted on a daily basis to the school financial specialist and not always promptly deposited into the school's bank account. To minimize the risk of loss and provide availability of funds to meet school needs, we recommend that all funds collected be remitted daily to the school financial specialist for prompt deposit.

Sixth grade students at each middle school in MCPS participate in a three-day, two-night residential outdoor environmental education program (OEEP) for which they are assessed a \$76 fee to reimburse MCPS for the cost of personal expenses associated with the program. Students unable to pay the OEEP fee receive waivers that must be reported to MCPS so that the total amount of the invoice billed to schools is adjusted accordingly. A school also may charge an activity fee in addition to the OEEP fee. If the combined total amount a student can afford to pay for the OEEP fee, plus the school's activity fee equals \$76 or less, then the entire combined amount received from the student is to be remitted to OEEP (refer to *OEEP Grade 6 Residential Program Handbook and Planning Information*, page 44). We found that the school did not correctly report all funds collected from students who were identified as needing assistance which then resulted in an underpayment to MCPS. We also noted that you collected funds from more students than for whom you were billed, indicating an inaccurate head count. We recommend that you review the procedures for reporting students needing financial assistance with the OEEP sponsor and that the financial assistance forms are reviewed for accuracy before they are submitted. We also recommend that you reconcile your account to determine that all students who paid and attended were properly reported to MCPS.

Sales of physical education uniforms should comply with the requirements outlined in the *Handbook for the Operation of School Stores*. We noted some weaknesses in the accounting process for the sale of uniforms and in the records of funds collected from students that could not be reconciled to records of sales. To improve controls, we recommend tracking uniform sales on a spreadsheet that can be reconciled with records of account activity. In addition, inventory records should be adjusted for sales, purchases, giveaways, and for garments that are damaged or obsolete. These inventory records should be compared to a physical count performed at least annually. The inventory items should be secured at all times to lessen the likelihood of a loss.

#### Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- 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 (**repeat**).
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the school financial specialist (**repeat**).
- OEEP sponsor records must correctly report funds collected and waivers granted for all participating students (**repeat**).
- Physical education uniform sale and inventory processes should comply with the requirements outlined in the *Handbook for the Operation of School Stores* (**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 Mrs. Michelle E. Schultze, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mrs. Schultze 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:AMB:lsh

Attachment

Copy to:

Members of the Board of Education  
Dr. Smith

Dr. Navarro  
Dr. Statham  
Dr. Zuckerman  
Mr. Civin  
Dr. Johnson  
Dr. Williams  
Mrs. Camp  
Mrs. Chen  
Ms. Diamond  
Mrs. Schultze  
Mr. Tallur  
Ms. Webb

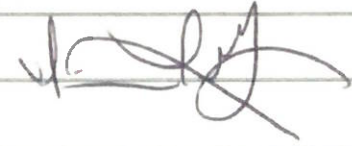
**FINANCIAL MANAGEMENT ACTION PLAN**

**Report Date:** 06/24/19

**Fiscal Year:** 06/24/19

**School:** Tilden MS - 232

**Principal:** Irina LaGrange



**OSSI**

**OSSI**

**Associate Superintendent:** Eric Wilson

**Director:** Michelle Schultze

**Strategic Improvement Focus:**

As noted in the financial audit for the period 01/01/18-04/30/19, strategic improvements are required in the following business processes :  
purchase requests, purchase card, fund collection and remittance, OEOP sponsor records, PE uniform sale and inventory

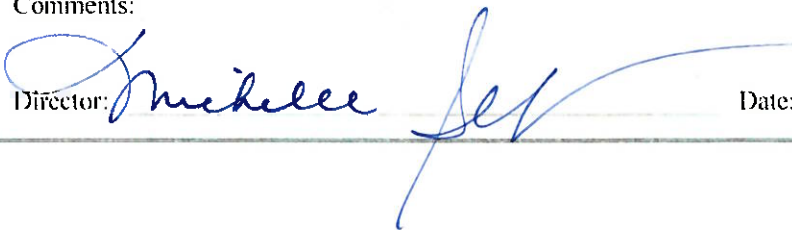
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchases will not be reimbursed unless prior principal approval was received.	Financial specialist, principal	Memo to staff explaining proper purchase request procedures	All receipts will be checked to make sure the purchase was made after the date of the request	Financial Specialist prior to creating reimbursement check	
All purchase card transactions will be reviewed and approved by the financial specialist and principal in a timely manner.	Principal and financial specialist	Online Purchase card system - JP Morgan	The JP Morgan online system will send an email when a purchase needs to be reviewed or approved.	Principal and financial specialist will review purchases when receiving email	
Funds remitted to sponsors will be remitted, verified, receipted, and deposited promptly.	Sponsors, financial specialists	Provide IAF remittance forms to sponsors	Remind sponsors to remit money collected promptly	Financial specialist will remind sponsors to turn in money during field trips	
OEOP sponsors will keep a detail track of the money that is collected and waivers granted	OEOP sponsor, financial specialist	Detailed Accounting spreadsheet	Parents will be informed and charged the cost of the trip for overnight stay, day only attendance, and waivers.	Sponsor will make wording clear to parents when informing them of the trip.	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
PE uniforms inventory has been counted and recorded. Every sale from now on will be recorded.	PE content specialist, financial specialist	detailed accounting spreadsheet	Every sale, purchase, donation, or giveaway of a uniform will be kept tracked of	PE specialist and financial specialist will update the spreadsheet at time of sale or giveaway	

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

**Approved**       Please revise and resubmit plan by \_\_\_\_\_

Comments:

Director:  Date: 7-8-19