


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

June 5, 2015

MEMORANDUM

To: Mr. Patrick E. Scott, Acting Principal
Viers Mill Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2011, through March 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 June 2, 2015, with you, and Ms. Laurie Moran, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated October 14, 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. It should be noted that your appointment as acting principal was effective July 1, 2014.

Findings and Recommendations

Effective internal control includes the receipt and review by the principal of the monthly bank statement, bank reconciliation report and ledger reports in a timely manner. Review of these

reports must be evidenced by the principal's signature and date. We found that these important reviews were not consistently completed during our audit period. We recommend you initiate a procedure that ensures this internal control process occurs monthly and is documented by your signature and date to indicate your review (see MCPS Financial Manual p. 20-9).

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account statement for each month in which transactions have been recorded in their accounts to verify for accuracy. We noted that the administrative secretary did not routinely provide sponsors with monthly account history reports when required, and that not all sponsors were returning them as required. We recommend sponsors be provided a monthly statement of their accounts 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 to the administrative secretary (see MCPS Financial Manual, p. 20-9).

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. 20-6). 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. Form 280-54 should be filed with the attached invoice marked or stamped "Paid". In our random sample of disbursements, we again found prior approval was not consistently obtained, invoices were not always signed by the recipient, invoices were not stamped or marked "Paid," and numerous disbursements did not have adequate documentation to fully explain the reason for the expenditure. 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 you at the time verbal approval is sought so that purchase orders and invoices bear a date subsequent to the approval date, and that all invoices are stamped or marked "Paid" and properly filed.

Purchase card transactions were audited based upon requirements of the previous MCPS provider. Cardholders were to record purchases on transaction logs and submit them monthly with invoices and receipts attached for review and approval by the principal. Monthly summary reports were to be reviewed, signed and dated by the principal to ensure that purchases were appropriate and within established limits. We again found that logs were not maintained on a monthly basis, receipts and invoices were missing or not attached, monthly cardholder statements and monthly summary reports were not always reviewed, sign and dated by the principal. The current MCPS purchase card provider replaces the manual log with online transaction reconciliation. We recommend compliance with the requirements of the MCPS *Purchasing Card Users Guide*.

Cash and checks collected by sponsors and other authorized individuals for IAF activities must be remitted to the administrative secretary on the day they are received, and must be accompanied by MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*. We

found instances in which staff collecting funds for field trips were holding funds rather than remitting them timely to the administrative secretary (see MCPS Financial Manual p. 7-4). We recommend that all staff who collect funds for school activities be reminded of remittance requirements. In addition, we found sponsors submitting funds collected for all activities, were not preparing MCPS Form 280-34, as required (see MCPS Financial Manual p. 7-3).

Review of field trip activities again revealed that not all trip sponsors are providing completed financial information to the administrative secretary at the completion of a 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 administrative secretary when a trip is completed. 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. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above (see MCPS Financial Manual, p. 20-10).

Summary of Recommendations

- 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 administrative secretary;
- 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 documentation must be adequate to support disbursements (repeat);
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide* (repeat);
- Funds collected by sponsors must be promptly remitted (repeat) with MCPS Form 280-34 to the administrative secretary; 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 (repeat).

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Ms. Moran which greatly facilitated our audit. 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

Ms. Bronda L. Mills, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:GB:sd

Copy to:
Dr. Zuckerman
Dr. Statham
Dr. Navarro
Ms. Mills
Mr. Sanderson
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit

Fiscal Management Action Plan

School: Viers Mill Elementary

Principal: Michael Powell

Approved by OSSI associate superintendent: _____

Date of approval: 09.16.2015



Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Review of monthly bank statement, bank reconciliation reports and ledger reports were not consistently completed and signed and dated by the principal.</p>	<p>The Principal and the Administrative Secretary will meet daily at 7:30 am to internally monitor daily transactions. The Administrative Secretary will ensure that money is collected and deposited daily.</p> <p>In the event that money cannot be collected by the administrative secretary, the teacher will submit monies for the safe deposit box with monetary forms in a sealed envelope signed by the teacher across the top of the envelope. The Administrative Secretary will review the collection process with the teacher on the next duty day. The Principal will review and sign documents.</p> <p>Each month the Principal will open the bank statement with the administrative secretary and review and sign the statement. The MCPS book keep will review statement with the Principal and the Administrative Secretary for accuracy and clarity of reporting.</p>	<p>Throughout the year</p>	<ul style="list-style-type: none"> • Procedures were discussed during pre-service week. Subsequent follow-up meetings will take place during grade level planning with the Principal and Administrative Secretary. • Signatures on all monthly bank statements, bank reconciliation, reports and ledger reports.
<p>Sponsors of school activities are not routinely provided with account statements for each month a transactions has been recorded in their accounts and not all sponsors are returning them as required.</p>	<p>During the first two weeks of each month sponsors of school activities will meet and review activity statements with the administrative secretary. The activity sponsor and administrative secretary will date and sign the activity statements together. The Principal will sign and date the log indicating that all forms were reviewed.</p>	<p>Monthly throughout the year</p>	<ul style="list-style-type: none"> • Procedures were discussed during pre-service week. • All staff members given procedural handouts and agenda. • Follow-up discussions will take place during grade level team meetings. • Monthly log
<p>Form 280-54 is used but needs to be signed at the time of verbal approval and the purpose of each disbursement must be fully explained.</p>	<p>All purchases require pre-approval in writing using MCPS form 280-50. The staff completes the form with an estimated dollar amount based on internet pricing or a voided receipt as evidence of the estimated cost. Staff will be required to include details on form 280-54 including the purpose of each disbursement, the funding source, and funds available. If staff are using their own personal funds they must make cash purchases only. Staff may be issued a onetime use school id tax exempt</p>	<p>Throughout the year</p>	<ul style="list-style-type: none"> • Procedures were discussed during pre-service week. • Follow up discussions will take place during grade level team meetings.

<p>Sponsors collecting funds for IAF activities are not remitting them to the administrative secretary on the day they are collected and are not submitted with a form 280-34.</p>	<p>card or the Principal will accompany the requester at the time of the purchase.</p> <p>Activity Sponsors will prepare a 280-84 form to ensure collection and submitting of funds for IAF activities on the day they are collected. The Administrative Secretary will go to each Activity Sponsor on a daily basis to collect funds. The Activity Sponsor will review forms and funds with the Administrative Secretary for accuracy of reporting. After both the Adminstrating Secretary and the Activity Sponsor have agreed and signed the 280-34 Administrative Secretary will submit funds to the bank on the same day or store in the school safe in case of an emergency. A receipt of the deposit will be obtained from the Administrative Secretary will review all sign documentation on the next duty day. The Bookkeeper will review documentation with both the Principal and the Administrative Secretary during their monthly scheduled meeting.</p>	<p>Throughout the year</p>	<ul style="list-style-type: none"> • Procedures were discussed during pre-service week. • Follow up discussions will take place during grade level team meetings.
<p>Field trip sponsors need to submit form 280-41 at the conclusion of each field trip to record trip fees and provide complete data for field trips.</p>	<p>The Principal will ensure that staff submit form 280-41 at the conclusion of each field trip and the Assistant Principal and the Administrative Secretary will meet with the Grade level chairperson. All financial records will be completed at that time. A Para Educator will support this process by relieving the teacher to meet with the Assistant Principal and Administrative Secretary. The Principal will review form 280-41 and sign at the conclusion.</p>	<p>Throughout the year</p>	<ul style="list-style-type: none"> • Procedures were discussed during pre-service week. • Follow up discussions will take place during grade level team meetings.

Note: A copy of the approved plan is to be sent to the Internal Audit Office, Upcounty Regional Services Center