


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

October 28, 2016

MEMORANDUM

To: Mr. Matthew D. Hawkins, Acting Principal
Viers Mill Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2015, through September 30, 2016

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 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.

In our meeting on October 26, 2016, with you and Ms. Laurie A. Moran, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated June 5, 2015, and the status of present conditions. It should be noted that your appointment as acting principal was effective July 1, 2016. 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

According to the *MCPS Financial Manual*, the monthly bank statements shall be delivered directly to the principal for review with the canceled checks. It was noted that during the audit period, the school was neither receiving copies of canceled checks from the bank nor printing them from online banking. We recommend that you either request the bank to provide images of

canceled checks each month or have electronic access to cleared checks through the online banking system. We further recommend that check images be printed each month, presented to principal for review along with the bank statement and then retained for audit (refer to *MCPS Financial Manual*, chapter 20, pages 8 and 9).

Sponsors of school activities involving the collection or disbursement of funds should be provided an IAF account history report for each month in which transactions have been recorded in their accounts and be required to verify that transactions have been correctly recorded. We noted that some sponsors did not return these statements. We recommend that a procedure be established to ensure that sponsors receive these statements, resolve any discrepancies, and return them to the school administrative secretary (refer to *MCPS Financial Manual*, chapter 20, page 9).

MCPS Form 280-54: *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (refer to *MCPS Financial Manual*, chapter 20, page 4). The purpose of each disbursement must be fully explained on this form in order to record expenditures in appropriate accounts, and to ensure compliance with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, we found that prior approval was not consistently obtained for purchases. Many disbursements did not have adequate documentation to support the expenditure, and invoices were not always signed by the purchaser. By requiring prior approval and complete documentation, the principal retains control over the IAF expenditures. We recommend that MCPS Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and that complete documentation be attached to fully explain the reason for the purchase.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card User's Guide*, which is available on the MCPS website at <http://www.montgomeryschoolsmd.org/departments/procurement/pdf/PurchasingCardUsersGuideWeb.pdf>. 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, with all purchase receipts and invoices attached. The principal must review each cardholder's 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 all of 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.

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 must be signed by the principal and retained. Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student 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 school administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report. The data also should be

used to estimate future trips. We found that trip approval forms had not been retained for all trips, 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 recommend that trip sponsors use MCPS Form 280-41: *Field Trip Accounting*, or equivalent, for recording of trip fees and provide complete data at the conclusion of each trip. We further recommend that trip planning be reviewed to ensure established fees are commensurate with trip expenses (refer to *MCPS Financial Manual*, chapter 20, page 10).

Summary of Recommendations

- Bank statements with canceled checks must be presented to the principal each month.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the school administrative secretary (**repeat**).
- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchasers must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchase documentation must be adequate to support disbursement (**repeat**).
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*.
- Field trip approvals must be retained with the field trip documentation for audit.
- 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 your staff. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, please provide a response to the Internal Audit Unit within 30 calendar days of this report, with a copy to Mrs. Cheryl L. Smith, director of school support and improvement of elementary schools. In your response, please share a detailed plan for addressing these issues including appropriate staff training and support. The Office of School Support and Improvement will follow up on this audit.

RWP:SMY:lsh

Copy to:

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Fiscal Management Action Plan

School: Viers Mill Elementary School (April 1, 2015 – September 30, 2016)
 Approved by OSSI Associate Superintendent: 

Principal: Matthew Hawkins (acting)
 Date of approval: 11.17.16

| Findings and Recommendations of School's Financial Report | Description of Resolution And Person(s) Responsible | Timeline | Evidence of Completion |
|--|--|---|---|
| <p>Financial Reports and Internal Controls</p> <p><i>Bank Account</i> The school bank account had only the administrative secretary listed on the account. The principal and assistant principal should be added to the account. Bank reconciliation was performed late 5 of 17 months in the audit. This should be done by the 20th of the month.</p> <p><i>Checks</i> Canceled checks were not available with the bank statement for audit. The bank should be contacted to request copies of canceled checks. Voided checks and receipts were not always being marked "void." All parts of the check/receipt should be marked "void."</p> <p><i>Sponsor Reports</i> Monthly reports were not consistently reviewed, signed, and returned by sponsors and filed for audit. Sponsors need to review, sign, and return their reports to the administrative secretary to be filed for audit.</p> <p><i>School Accounts</i> The school does not have a CIF account and there are three inactive accounts. The MCPS Reimbursement account should not have a positive balance. Transfer descriptions should be more informative to show what is being transferred.</p> | <p><i>Bank Account</i> The acting principal was added to the bank account in October. The acting principal will return to the bank with the assistant principal and administrative secretary to add the assistant principal to the account and to update the new last name of the administrative secretary. The administrative secretary will perform bank reconciliation by the 20th of the month.</p> <p><i>Checks</i> The administrative secretary will contact the bank to arrange for the request of canceled checks. The administrative secretary will ensure voided checks/receipts are marked "void." Voided checks/receipts will also be kept in a separate folder.</p> <p><i>Sponsor Reports</i> The administrative secretary will develop a documented method to track returned reports and provide e-mail and/or face-to-face follow-up with sponsors.</p> <p><i>School Accounts</i> The acting principal will follow procedures for opening a CIF account. Grantors will be contacted by the administrative secretary to determine if funds are still accessible and whether the funds can be applied towards other purposes. The administrative secretary will transfer the funds from the MCPS Reimbursement account to the General fund. The administrative secretary will specify in the accounts used within the transfer descriptions.</p> | <p><i>Bank Account</i> Monthly</p> <p><i>Checks</i> Ongoing</p> <p><i>Sponsor Reports</i> Monthly</p> <p><i>School Accounts</i> Ongoing</p> | <p><i>Bank Account</i> The bank account will include the acting principal, assistant principal, and administrative secretary as account holders. The acting principal and administrative secretary will meet twice per week to ensure procedures are being followed.</p> <p><i>Checks</i> The administrative secretary has established a process for retrieving canceled checks through the mail.</p> <p><i>Sponsor Reports</i> The administrative secretary provided additional clarification on sponsor responsibilities and processes at the staff meeting on November 14. The monthly reports will be reviewed, signed, and returned monthly.</p> <p><i>School Accounts</i> A CIF account will be opened and inactive accounts will be closed after determining how the funds can be applied. The transfer descriptions will allow others to view the movement of funds between accounts. The acting principal and administrative secretary will meet with the visiting bookkeeper each month to review the monthly findings.</p> |

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| <p>Disbursements <i>Staff-Requested</i></p> <p>Problems were found with 26 out of 31 disbursements that were reviewed. All disbursements must be pre-approved by the acting principal, have documentation that supports the disbursement amount, and invoices of goods/services should be marked received prior to payment. Once paid, the supporting documentation should be stamped "paid." The ACH debit should not be used for Amazon purchases.</p> | <p><i>Staff-Requested</i></p> <p>The acting principal and administrative secretary will ensure that MCPS Form 280-54 is completed by staff for approval to proceed with an intended purchase. The administrative secretary will use the purchase card for Amazon purchases.</p> | <p><i>Staff-Requested</i></p> <p>Ongoing</p> | <p><i>Staff-Requested</i></p> <p>The acting principal and administrative secretary provided additional clarification on disbursement processes at the staff meeting on November 14. All purchase requests will have adequate documentation and prior approval before purchases are made.</p> |
| <p>Purchase Cards <i>Cardholders</i></p> <p>Some transactions from July to August 2016 were not reviewed by October 2016. The acting principal had not approved any transactions that were assigned in July 2016 or later. Two cardholders who left the school were still listed as current cardholders on the JP Morgan website.</p> | <p><i>Cardholders</i></p> <p>The administrative secretary will review transactions online by the 5th of the month. The administrative secretary will note what was purchased and ensure IAF purchases include the account number and whether the purchase was for staff or students. The administrative secretary will give the signed monthly purchase card statement/Statement of Account Landscape together with purchase receipts to the acting principal. The acting principal will review the transactions and approve online by the 10th of the month. The administrative secretary and acting principal will request the removal of inactive cardholders.</p> | <p><i>Cardholders</i></p> <p>Monthly</p> | <p><i>Cardholders</i></p> <p>The acting principal was able to gain access to the JP Morgan website to review and approve transactions on November 10. The administrative secretary and acting principal will meet twice per week to review the purchase card documentation and purchase receipts. Transactions will be reviewed by the 5th and 10th of the month by the administrative secretary and acting principal, respectively.</p> |
| <p>Field Trips <i>Approvals and Accounting</i></p> <p>Field trip approvals were not on file for all trips sampled. Field trip approvals were found for out of area trips. The Field Trip Request form must be retained for the audit. The Field Trip Accounting forms (280-41) were not on file for most field trips sampled.</p> | <p><i>Approvals and Accounting</i></p> <p>The administrative secretary will retain the approved Field Trip Request forms. The administrative secretary will monitor and provide e-mail and/or face-to-face follow-up with teachers for completing and submitting the Field Trip Accounting forms. The administrative secretary will establish and adhere to a reconciliation process in which all documentation and invoices are kept together in a file folder for each field trip.</p> | <p><i>Approvals and Accounting</i></p> <p>Ongoing</p> | <p><i>Approvals and Accounting</i></p> <p>The acting principal and administrative secretary provided additional clarification on field trip approvals and accounting processes at the staff meeting on November 14. Data from the approval forms and accounting forms will be utilized to plan for future trips.</p> |

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