


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

January 3, 2017

MEMORANDUM

To: Mr. Rock A. Palmisano, Principal
Watkins Mill Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2014, through October 31, 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 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 meeting on December 20, 2016, with you, Mrs. Marybeth O. Matzouranis, principal intern, and Mrs. Carol M. Gecoma, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated August 11, 2014, and the status of present conditions. It should be noted that your appointment as 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

Aggregate school expenditures for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per full-time equivalent (FTE) per fiscal year without the prior written authorization from the chief operating officer (COO) (refer to *MCPS Financial Manual*, chapter 20, page 5). Although you stayed within the authorized amount, the

transactions pertaining to these expenditures were not always recorded in accordance with the standard IAF chart of accounts. This increases the time required to determine whether or not guidelines have been followed and decreases the value of your financial reports for decision making. We recommend that you correctly classify and record these transactions in accordance with the standard IAF chart of accounts for more accurate accountability (refer to *MCPS Financial Manual*, chapter 20, page 23).

Regardless of the documentation that approved the procurement of goods and services, all disbursements from a school's IAF other than for petty cash items will be approved by the principal using MCPS Form 280-54: *Independent Activity Funds Request For A Purchase*, prior to expenditure of funds (refer to *MCPS Financial Manual*, chapter 20, page 6). We noted instances in which checks were written without MCPS Form 280-54. We recommend MCPS Form 280-54 be used to document principal approval of all check disbursements.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. Each fund-raiser should be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund-raising activity should be recorded in a separate account in the 7000 series and a completion report prepared that analyzes the results. At the conclusion of the activity, a completion report should be prepared that includes the total number of items for sale and cost of each, selling prices, and any remaining inventories to determine whether all funds collected were remitted to the school administrative secretary (refer to *MCPS Financial Manual*, chapter 20, page 13). 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. We noted noncompliance with the utilization of the standard IAF chart of accounts for recording transactions and inconsistency in obtaining completion reports. We recommend compliance with the guidelines stated above.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Student Organization Trips*. Trip approval forms signed by the principal, and the director of school support and improvement, when required, should be retained. Sponsors of field trips should have a complete class or club 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 together with a list of all chaperones and volunteers 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 (refer to *MCPS Financial Manual*, chapter 20, page 10). We found that not all sponsors were providing completed data at the conclusion of each trip. We recommend that all sponsors be required to use MCPS Form 280-41: *Field Trip Accounting*, or equivalent, and follow the procedures outlined above.

MCPS Regulation DMB-RA, *Control of Admission Receipts*, sets forth procedures for the control of admission receipts for school events. The accounting for these events must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50: *Tickets and Cash Report of Admissions Manager* for tracking and reconciling sales, and perpetual inventory of tickets (refer to *MCPS Financial Manual*, chapter 20, page 13). We noted an

admission event in which tickets were sold but MCPS Form 280-50 was not properly completed to reconcile tickets issued with tickets returned and sales receipts. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events for compliance with the above cited MCPS requirements.

Summary of Recommendations

- Accounting transactions must conform to the IAF chart of accounts.
- Check disbursements must be documented using MCPS Form 280-54.
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*.
- 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)**.
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

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 Mr. Michael D. Bayewitz, 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:GWB:lsh

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Dr. Kimball

Mr. Bayewitz

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Tallur

Mr. Ikheloa

Watkins Mill Elementary
19001 Watkins Mill Road
Montgomery Village, MD 20886

January 30, 2017

MEMORANDUM

To: Mr. Roger W. Pisha, Supervisor Internal Audit
From: Rock Palmisano, Principal
MaryBeth O. Mantzouranis, Principal Intern *MEM*
Subject: IAF Audit Response for the Period of July 1, 2014 through October 31, 2016

The following is in response to the findings and recommendations to Watkins Mill Elementary School's Audit of Independent Activity Funds (IAF) for the period of July 1, 2014 through October 31, 2016.

In his audit report findings, the auditor indicated that accounting transactions must conform to the IAF chart of accounts to ensure accurate accountability. He noted all disbursements must be approved in advance of all purchases. The auditor identified the need for fund-raising pre approval by the principal and comprehensive completion reports by the sponsor. The auditor noted that field trip records prepared by sponsors must provide comprehensive data to account for all students and to reconcile funds collected with the cost of the trip. Finally, the auditor identified that admission events must be conducted in accordance with regulations.

I have reviewed the findings and the recommendations with the Administrative Secretary to ensure understanding of next steps. I have met with the staff sponsors responsible for the majority of the issues with fundraising and with admission events. The recommendations from the auditor regarding field trips and accounting responsibilities were shared with staff in January where they were reminded of a training during pre-service week that covered the same information and expectations. In addition, a fiscal management action plan (attached) has been developed to address the findings and recommendations in order to ensure consistent compliance with all MCPS financial policies and procedures.

Thank you for your time and effort to assist our staff in maintaining effective fiscal management of our IAF account. Please let me know if you have any questions or suggestions.

Attachments

Cc: Mr. Michael D. Bayewitz

Fiscal Management Action Plan

School: **Watkins Mill Elementary School**Principal: **Rock Palmisano**

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Fundraising must conform to <i>Guidelines for Sponsoring an IAF Fund Raiser</i>	Each fundraiser must be approved by the principal in advance and retained in the office. The request should note what the money is being raised for. (ex: PBIS celebrations, SGA donations to Children's Hospital) The administrative secretary should ensure all financial activities are noted in a separate account in the 7000 series. At the conclusion of the fundraiser, a completion report must be prepared by the requestor to include items for sale, cost, selling price, remaining inventories, and monies earned.	As needed	Signed request forms and completion forms.
Purchase requests must be approved by the principal prior to procurement.	At the time that verbal approval is sought from the principal, Form 280-54 will be prepared and signed by both requesting staff and the principal. The principal will ensure detailed documentation/rationale of the purchase is attached to the request. The invoices for the purchase will be signed and dated by the receiver .	As needed	Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver.
Accounting transactions must conform to the IAF chart of account.	The administrative secretary will ensure all disbursements related refreshments for staff meetings and staff appreciation are correctly classified and recorded for more accurate accountability.	As needed	Standard IAF chart of accounts will be used; all refreshment money will be located in one account.
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 trip.	Sponsors will provide complete class or club rosters and note how much each student has paid, to include the date, and any waivers or scholarships for students. Also, sponsors will include if a student is not attending the trip or activity. Sponsors will provide this at the completion of the trip and compare remittance recorded to the trip account history report. The data will be used by the sponsors and administrative secretary to plan for future trips. Sponsors will plan carefully to ensure that they do not overcharge or undercharge for a trip for students. Sponsors will use MCPS Form 280-41 to record trip fees and provide complete data at the end of each trip. Trip planning will be reviewed by the administrative secretary and the principal to ensure that fees are appropriate.	As needed for field trips	Completed Form 280-41 and any additional documents relevant to each trip.
Admission events must be conducted in accordance with MCPS Regulations.	Sponsors for any admission events will follow the procedures to control the admission receipts. They will use serially numbered tickets, identify a separation of duties, use form 280-50 (Tickets and Cash Report) and perpetual inventory of tickets.	Whenever an admission event occurs.	Completed MCPS form 280-50; reconciled tickets and sales receipts.