


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 8, 2017

MEMORANDUM

To: Mrs. Marybeth O. Mantzouranis, Principal
Weller Road 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 September 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 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.

At our November 28, 2017, meeting with you, Mrs. Denise J. Fleet, assistant principal; and Mrs. Constance M. Lieder, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated November 17, 2014, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2017. 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

Checks that are not cashed by their payees are considered abandoned property and, by law, belong to the state. Schools are required to remit uncashed IAF checks to the Division of

Controller (DOC) during the annual escheatment process for inclusion in the annual MCPS filing to the state of Maryland (refer to *MCPS Financial Manual*, chapter 18, pp. 1-2). We noted a few uncashed checks that had been voided rather than reported to the DOC. We recommend the MCPS procedures for escheatment be followed (refer to *MCPS Financial Manual*, chapter 20, Appendix I).

To properly control funds, all cash and checks collected by sponsors for IAF activities should be remitted promptly to the school administrative secretary. 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. We found instances in which funds were held by sponsors rather than being remitted in a timely manner to the school administrative secretary on a daily basis, 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 administrative secretary for prompt deposit (refer to *MCPS Financial Manual*, chapter 7, page 4).

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Although the sponsors are submitting fund-raiser requests and either the completion reports or MCPS Form 281-25, *Statement of Profit or Loss on Sales of Merchandise*, a few forms were not properly completed so that results could be evaluated. We also noted that chief operating officer approval was not obtained prior to contracting for a fund-raising activity having the potential to cause liability claims against MCPS (refer to *MCPS Financial Manual*, chapter 20, page 5). We recommend adherence to the fund-raising guidelines for accountability of funds and the ability to evaluate the results at the conclusion of the event, and compliance with addressing potential liability concerns of fund-raising activities.

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 events in which tickets were either not issued, given away without documentation, or destroyed rather than returned to inventory as unsold. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events for compliance with MCPS Regulation DMB-RA.

Summary of Recommendations

- Uncashed checks must be remitted to the state in accordance with the escheat process.
- Funds collected by sponsors must be promptly remitted to the school administrative secretary (**repeat**) for prompt deposit into the school's bank account.
- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results (**repeat**).
- Activities involving potential liability issues require advance chief operating officer approval (**repeat**).

- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

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 Ms. Cheryl L. Smith, director of school support and improvement of elementary schools. Based on the audit recommendations, Ms. Smith 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 administrative secretary to support you with developing a well-defined plan to address the findings.

RWP:AMB:lsh

Copy to:

Members of the Board of Education

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FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 12/8/17

Fiscal Year: 12/8/17

School: Weller Road ES - 777

Principal: MaryBeth O. Mantzouranis

OSSI

Associate Superintendent: Dr. LaVerne Kimball

OSSI

Director: Ms. Cheryl L. Smith

Strategic Improvement Focus:

As noted in the financial audit for the period 10/1/14-9/30/17, strategic improvements are required in the following business processes :

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Uncashed checks must be remitted to the state in accordance with the escheat process</p>	<p>The administrative secretary will monitor outstanding checks. As the 60th day approaches, a reminder letter will be sent to the recipient(s). At the 90th day a certified letter will be sent. After these attempts, the escheatment process as identified by MCPS will be followed. All checks over 180 days will be sent to the Division of the Controller in accordance with MCPS regulations /policies.</p> <p>Person Responsible: Administrative secretary</p>	<p>As needed: 60 days 90 days 180 days</p>	<p>Hard copies of the letters sent to will be maintained</p> <p>Bank records</p> <p>Copies of MCPS forms sent to Division of Controller</p>
<p>Funds collected by sponsors must be promptly remitted to the school administrative secretary for prompt deposit into the school's bank account.</p>	<p>The administrative secretary and the school principal will send a memo to staff on January 2, 2018 identifying a change in the time all money for sponsored events is due to the office. The current time is 3:00; the new time will be 1:00 pm.</p> <p>The administrative secretary will send email reminders each morning to those teams/sponsors with open field trips.</p> <p>Cash and checks will be submitted by 1:00 on a daily basis using form 280-34. The administrative secretary will make daily deposits.</p> <p>Person Responsible: Administrative secretary, sponsors, principal</p>	<p>New process to begin January 2, 2018</p> <p>Daily sponsor submission of funds</p>	<p>Daily recording of funds submitted and daily bank deposits</p>
<p>Fundraiser completion reports prepared by sponsors must provide sufficient information to analyze results.</p>	<p>Sponsors will keep deposits separate (for example, concession sales will be deposited separately from ticket sales in order to adequately determine profits/losses) Sponsors will complete a fund-raiser completion report to document expenses, revenues, inventories and reconciliation at the conclusion of the activity to determine loss or profit.</p> <p>Person Responsible: Administrative secretary, sponsors</p>	<p>At the conclusion of any/all fundraisers</p>	<p>Fundraiser completion reports.</p>

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, and use form 280-50 (Tickets and Cash Report). The school will maintain a perpetual inventory of tickets in a secured location. Person Responsible: Sponsors, Administrative Secretary	Whenever an admission event occurs.	Completed MCPS form 280-50; reconciled tickets and sales receipts.
Activities with potential liability issues require advance chief operating officer approval	Sponsors will submit requests to the principal for activities such as a pool party, moon bounce, dunking tank, vehicle towing, etc. 2 months prior to event. The principal will obtain higher-level written approval in advance from	At least 6 weeks prior to an event, the principal will obtain prior written authorization from the	Documentation of approval from COO/Designee Review and approval from Risk Management and from
	either the chief operating officer or her/his designee using MCPS Form 281-53, Restricted IAF Purchaser Request. All contracts involving inflatables/dunk tank/etc need to be reviewed by the Risk Specialist. Contracts that include the use of inflatables on school property (moon bounces, bounce houses) require an additional level of review by Systemwide Safety Programs. Person Responsible: Sponsor, Principal, Administrative Secretary	COO/Designee using 281-53. At least 4 weeks prior to any event requesting the use of inflatables, the principal will send a contract review to the Risk Specialist in ERSC	Systemwide Safety Programs

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments:	
Director: _____	Date: <u>01.03.18</u>