

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 10, 2017

MEMORANDUM

To: Mrs. Karen M. Cox, Principal
Westbrook Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2014, through August 31, 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. Principals are the fiduciary agents for the IAFs and are 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 November 2, 2017, meeting with you and Ms. Barbara Hihn, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated August 27, 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

All checks will be completed with date, payee, and amount prior to any signature. No checks will be signed in advance of these completed items. Once written, a check must not be altered or erased. If an error is discovered, the word "Void" should be written in ink across the face of the

check and a new replacement check written. All checks issued will bear two signatures, one of which must be that of the principal. The monthly bank statement shall be delivered directly to the principal for review of the statement and canceled checks (refer to *MCPS Financial Manual*, chapter 20, pp. 6 and 9). The school shall not maintain a checking account in any financial institution that does not provide access to copies of cancelled checks (refer to *MCPS Financial Manual*, chapter 7, page 5). We noted that during the audit period, the school was not receiving copies of canceled checks from the bank, which prohibited us from verifying compliance with check writing requirements. We recommend that you request the bank to either provide images of canceled checks each month with your statement or provide access to cleared checks through its online banking system.

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 6). The purchaser must indicate satisfactory receipt of the goods or services on the invoice. Upon disbursement, the school administrative secretary must mark the invoice as "paid" to preclude duplicate payment. In our sample of disbursements, we noted prior approval was not consistently obtained, invoices were not marked "paid," and invoices were not annotated by the purchaser to indicate the goods or services were satisfactorily received. By requiring prior approval, the principal retains control over the expenditure of IAFs. We recommend that MCPS Form 280-54 be prepared by staff and approved by the principal prior to purchase, purchasers should indicate satisfactory receipt of goods or services on invoices, and that the invoices be marked "paid" upon disbursement.

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the school administrative secretary for timely deposit to the bank (refer to *MCPS Financial Manual*, chapter 7, page 4). We noted sponsors were holding funds collected rather than remitting them to the school administrative secretary on a daily basis, and that the school administrative secretary was not always making prompt deposits. To minimize the risk of loss, we recommend that all funds collected should be remitted daily to the school administrative secretary and promptly deposited.

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 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 are 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.

Summary of Recommendations

- Cancelled checks must be available each month for principal review.
- 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 invoices and receipts must be annotated as paid to indicate disbursement was made.
- Funds) collected by sponsors must be promptly remitted to the school administrative secretary and promptly deposited (**repeat**).
- 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 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 school administrative secretary to support you with developing a well-defined plan to address the findings.

RWP:GWB:lsh
Attachment

Copy to:
Members of the Board of Education
Dr. Smith
Dr. Navarro
Dr. Statham
Dr. Zuckerman
Mr. Civin
Dr. Johnson
Dr. Kimball
Mrs. Camp
Mrs. Chen
Ms. Diamond
Mr. Reilly
Ms. Smith
Mr. Tallur
Mr. Ikheloa

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BOARD OF FI

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 12/14/17

Fiscal Year: 12/14/17

School: Westbrook ES - 408

Principal: Mrs. Karen M. Cox

OSSI

Associate Superintendent: Dr. Laverne Kimball

OSSI

Director: Ms. Cheryl Smith

Strategic Improvement Focus:

As noted in the financial audit for the period 7/1/14-8/31/17, strategic improvements are required in the following business processes :

General Bookkeeping (receiving canceled checks from financial institution), Purchase Request Process, Remittance and Receipting of Funds, Field Trip documentation

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Request copies of canceled checks from financial institution.	Administrative Secretary	Check Request form from bank	Form completed November 2017	Administrative Secretary/monthly	Canceled checks will be received monthly and reviewed by Administrative Secretary and Principal.
Purchaser must obtain principal approval and signature on 280-54 prior to making any purchases. Administrative Secretary will return requests for reimbursement that have not been pre-approved.	Principal Administrative Secretary	Form 280-54	280-54 will be completed prior to principal approval and signature	Principal and Administrative Secretary/on-going	280-54 will be signed and dated prior to purchase.
Invoices and receipts must be marked "paid" to prevent duplicate payment. The administrative secretary will stamp "paid", initial, and date invoices and receipts. Administrative Secretary will maintain file of all invoices and receipts.	Administrative Secretary	"Paid" stamp	Invoice and supporting documentation will be marked "Paid" when disbursement is made.	Administrative Secretary/on-going	Invoices stamped as "paid", initialed and dated.
Invoices will be initialed and dated by the purchaser to indicate goods or services were satisfactorily received. Administrative Secretary will maintain file of all invoices and receipts.	Administrative Secretary Staff purchaser	"Received" stamp	Invoices will be stamped "Received" by purchaser and submitted to the Admin. Secretary with Form 280-54	Administrative Secretary/ on-going as needed.	Invoices stamped "Received" and dated.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Staff must not hold funds overnight and will be required to submit to the Admin. Secretary daily using Form 280-34. Reminders will be sent and those submitting funds late will be reminded in writing with appropriate progressive discipline steps if necessary.	Principal Staff	Form 280-34	Completed Form 280-34, Independent Activity Funds Remittance Slip.	Administrative Secretary and Principal	Form 280-34, Independent Activity Funds Remittance Slip will be completed for collected funds.
Administrative Secretary will deposit funds promptly. Funds under \$250 will be locked in the safe if unable to deposit.	Administrative Secretary Principal	Deposit slips Bank statement	Daily deposit slips.	Administrative Secretary/ daily	Principal will review monthly records to ensure regular deposits are being made.
Field trip sponsors will be required to provide completed data at the conclusion of a field trip. Field trip sponsors will be required to use Form 280-41, or the Interactive Field Trip Spreadsheet. The spreadsheet will be placed in Google shared docs and on t-shared.	Principal Field Trip Sponsors	Form 280-41	Completed Field Trip forms or interactive spreadsheet.	Administrative Secretary/ on-going as needed	Completed Field Trip forms or interactive spreadsheet.


OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSS) REVIEW & APPROVAL

Approved

Please revise and resubmit plan by _____

Comments:

Director: _____



Date: 12.14.17