


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

September 27, 2016

MEMORANDUM

To: Dr. Patricia A. Kelly, Principal  
Westover Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
September 1, 2012, through June 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 September 8, 2016, with you and Mrs. Peggy E. Thompson, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated October 23, 2012, and the status of present conditions. It should be noted that Mrs. Thompson's assignment was effective August 22, 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

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, bank reconciliation report and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date. Once again, we could find

no indication that these important reviews were completed consistently during our audit period. We recommend you initiate a process that ensures this important internal control process occurs monthly (refer to the *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 the *MCPS Financial Manual*, chapter 20, page 6). In our random sample of disbursements, once again, we found that prior approval was not consistently obtained. By requiring prior approval, the principal retains control over the expenditure of the IAFs. In addition, documentation supporting purchases was not marked "paid" upon disbursement. We recommend that MCPS Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and that documentation supporting purchases is marked "paid" upon disbursement to preclude duplicate payment.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card Users Guide*. 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 the cardholders had prepared their monthly statements, provided their purchase receipts, and reviewed their transactions in the online reconciliation program. However, we found that the principal had not approved all transactions online. We recommend action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. We found that there was a lack of adherence to the approval and completion reporting guidelines. Each fund-raiser should be approved by the principal in writing. Financial activities for each fund-raising activity should be recorded in a separate account in the 7,000 series with a completion report prepared that analyzes the results (refer to the *MCPS financial manual*, chapter 20, page 12). We recommend following internal control procedures to provide for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event.

Review of field trip activities again revealed that not all field trip sponsors are providing completed financial information to the school 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 school administrative secretary when a trip is completed (refer to the *MCPS Financial Manual*, chapter 20, page 10). 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 MCPS Form 280-41, or equivalent, and follow the procedures outlined above.

Summary of Recommendations

- Monthly financial reports must be signed and dated by the principal to indicate review **(repeat)**.
- Purchase requests must be approved by the principal prior to procurement **(repeat)**.
- Invoices and receipts must be annotated as “paid” to indicate disbursement was made **(repeat)**.
- Purchase card activity must comply with the MCPS *Purchasing Card User’s Guide*.
- 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)**.

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 Ms. Audra M. Fladung, 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  
Dr. Johnson  
Mr. Civin  
Dr. Kimball  
Mrs. Camp  
Mrs. Chen  
Mrs. DeGraba  
Ms. Diamond  
Ms. Fladung  
Mr. Ikheloa

Westover Elementary School  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Silver Spring, Maryland

RECEIVED  
OCT 06 2016  
BOARD OFFICE

October 4, 2016

MEMORANDUM

To: Roger Pisha, Supervisor  
Internal Audit Office

From: Patricia A. Kelly, Principal  
Westover Elementary School

Subject: Response to Report on Audit of Independent Activity Funds for the Period  
September 1, 2012, through June 30, 2016

Mr. Pisha,

Attached in the Fiscal Management Action Plan for Westover Elementary School in response to the auditor's report on September 27, 2016.

In addition, my new administrative secretary and I will be attending School Finance Training I and II on October 5, 2016 and November 14, 2016 together. We have already addressed the recommendations and procedures with the staff and will monitor them monthly.

Copy to:  
Ms. Audra Fladung

**RECEIVED**  
**OCT 06 2016**  
**BOARD OFFICE**

**Fiscal Management Action Plan 2016**

**School: Westover Elementary School**  
**Approved by Director of School Support and Improvement:** \_\_\_\_\_

**Principal: Dr. Patricia A. Kelly, Principal**  
**Date of approval:** \_\_\_\_\_

<b>Findings and Recommendations of School's Financial Report</b>	<b>Description of Resolution And Person(s) Responsible</b>	<b>Timeline</b>	<b>Evidence of Completion</b>
Monthly financial reports must be signed and dated by the principal to indicate review.	The <b>administrative secretary</b> will provide reports as they are received to the <b>principal</b> for date and signature. Reports will be filed by <b>administrative secretary</b> .	Monthly	Signed and dated; - bank statements - bank reconciliation report - ledger reports
Purchase requests must be approved by the principal prior to procurement.	At the time that verbal approval is sought from the <b>principal</b> , Form 280-54 will be prepared and signed by both <b>requesting staff</b> and the <b>principal</b> . The <b>administrative secretary</b> will ensure detailed documentation/rationale of the purchase is attached to the request. The invoices for 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.
Invoices and receipts must be annotated as "paid" to indicate disbursement was made.	The <b>administrative secretary</b> will stamp "paid" on invoices and receipts to indicate disbursement was made.	As needed	Invoices and receipts stamped "PAID".
Purchase card activity must comply with the MCPS Purchasing Card User's Guide.	The <b>principal</b> will review and approve all online purchases.	Monthly	Completed online reconciliation.
Fund-raising must conform to Guidelines for Sponsoring an IAF Fund-Raiser.	Sponsor will submit Fund Raiser Request form to the <b>administrative secretary</b> for review and to the <b>principal</b> for approval. At the conclusion of the fundraiser, completion report will be prepared by the <b>sponsor</b> and <b>administrative secretary</b> and reviewed by the <b>principal</b> .	As needed, one per quarter	Completed fund-raiser completion report.
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.	<b>Sponsors</b> will provide complete class rosters and note how much each student has paid, to include the date, and any waivers or scholarships for students. Also, <b>sponsors</b> will include if a student is not attending the trip or activity. <b>Sponsors</b> will also 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 <b>sponsors</b> and <b>administrative secretary</b> to plan for future trips. <b>Sponsors</b> will plan carefully to ensure that they do not overcharge or undercharge for a trip for students. <b>Sponsors</b> 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 <b>administrative secretary</b> and the <b>principal</b> to ensure that fees are appropriate.	As needed for field trips	Completed Form 280-41 and any additional documents relevant to each trip.