

Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

September 27, 2018

MEMORANDUM

To: Mrs. Audra M. Wilson, Principal  
Westover Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
July 1, 2016, through June 30, 2018

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 Board of Education policies, MCPS regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with 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 policies, regulations, and procedures and that any significant errors or omissions in the financial records are detected.

At our September 10, 2018, meeting with Ms. Debbie A. Hill, school administrative secretary, and our follow up telephone conversation with you on September 11, 2018, we reviewed the status of the conditions described in our prior audit report dated September 27, 2016, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2018, and Ms. Hill's assignment as school administrative secretary was effective February 15, 2018. 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

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account history report for each month in which transactions have been recorded in their account. We found this essential internal control procedure was not being used. We recommend that sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the statements should be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all statements are reviewed and returned (refer to *MCPS Financial Manual*, chapter 20, page 10).

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase. The purpose of each disbursement must be fully explained on this form in order to properly record expenditures in appropriate accounts, and to ensure that expenditures comply with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt, and all documentation is to be stamped "paid" upon disbursement (refer to *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements, we found that prior approval was not consistently obtained, invoices were not annotated by recipient to indicate purchased goods or services were satisfactorily received and documentation supporting purchases was not always stamped or marked "paid" upon disbursement. By requiring prior approval, the principal retains control over the expenditure of IAFs. We recommend that MCPS Form 280-54 be prepared by staff with a cost estimate and signed by the principal at the time verbal approval is sought. We also recommend that all invoices are marked to show satisfactory receipt and documentation is stamped "paid" upon disbursement.

Any disbursement made via an automated clearing house (ACH) debit directly to a school's IAF checking account, regardless of the documentation that approved the procurement of goods and services, is required to be approved by the principal using MCPS Form 280-54, prior to authorizing the expenditure (refer to *MCPS Financial Manual*, chapter 20, page 6). We found that ACH IAF disbursements to reimburse MCPS for payments initially made by the Division of Controller were not reviewed and authorized for payment by the principal. We recommend that you adhere to the MCPS requirements for authorization of ACH disbursements.

Cash and checks collected for IAF activities by sponsors must be remitted using MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, on the day the funds are received, to the school administrative secretary (refer to *MCPS Financial Manual*, chapter 7, page 4). We found instances in which staff collecting funds for field trips were holding, rather than remitting, funds timely to the school administrative secretary. We recommend that all staff who collect funds for school activities be reminded of remittance requirements.

Fundraising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. We found that there was a lack of adherence to these guidelines. We also noted that the school had several fundraisers benefitting staff-owned accounts. However, the proceeds were not used to



provide supplemental support for staff to participate in professional development activities that contribute toward student success, which is prohibited by MCPS (refer to *MCPS Financial Manual*, chapter 20, page 20). We recommend that each fundraiser be approved by the principal in writing and that a completion report be prepared at the conclusion of the activity to analyze the results. We further recommend that the proceeds of any staff fundraiser be used to provide supplemental support for staff to participate in professional development activities that contribute toward student success.

Sponsors of field trips should have a complete class roster of student names and annotate how much each student paid, date paid, students who did not participate in the trip, and students who received waivers, scholarships, or reduced fees. This data should be submitted 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 submitting completed data at the conclusion of each trip and that data is not being compared to the final account history report. We recommend that trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, and provide complete data at the conclusion of each trip. This data must be reconciled with remittances recorded in activity accounts

#### Summary of Recommendations

- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the school administrative secretary.
- Purchase requests must be approved by the principal prior to procurement. The purchaser must confirm receipt of goods or services and documentation must be stamped “paid” upon disbursement (**repeat**).
- Cash and checks collected by sponsors must be promptly remitted with MCPS Form 280-34 to the school administrative secretary.
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser* (**repeat**).
- Staff fundraising proceeds must be used to contribute toward student success.
- 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 Dr. Mary Jane Q. Ennis, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Ennis 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 financial agent 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

Mrs. Morris

Mrs. Camp

Mrs. Chen

Ms. Diamond

Dr. Ennis

Mr. Reilly

Mr. Tallur

Mr. Ikheloa

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> September 27, 2018	<b>Fiscal Year:</b> September 27, 2018
<b>School:</b> -- Choose One -- <span style="color: blue; font-family: cursive;">Westover ES</span>	<b>Principal:</b> Audra Wilson
<b>OSSI Associate Superintendent:</b> Diane Morris	<b>OSSI Director:</b> Jane Ennis
<b>Strategic Improvement Focus:</b> As noted in the financial audit for the period <u>7/1/16-6/30/18</u> , strategic improvements are required in the following business processes :	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
The administrative secretary will provide sponsors with a monthly statement of their accounts and they will verify the transactions and that they are accurate. After resolution of any discrepancies, the statements will be signed and dated by the sponsors and kept on file. The administrative secretary and principal will review statements monthly together to ensure for consistency. <span style="float: right;">+</span>	Debbie Hill Audra Wilson Identified sponsors	Monthly account history reports	Reports, monthly	Admin secretary Principal  Monthly	Signed and dated monthly statements
At the time verbal or written 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 invoice will be signed and dated by the receiver. <span style="float: right;">+</span>	Audra Wilson Requestors	Form 280-54	Request forms Per request	Admin secretary Principal	Completed Forms 280-54 Emails with requests/approvals Itemized receipts to document purchase Invoices signed by admin <span style="float: right;">+</span>
Cash collected will be counted in front of the receiver and a receipt will be issued at that time by the admin secretary. Cash will be submitted by sponsors on a daily basis and the admin secretary will make deposits daily, to include on the last working day of each month, and before each weekend or holiday. <span style="float: right;">+</span>	Debbie Hill Identified sponsors	Form 280-34 Bank deposits	Form 280-34 Bank Deposit Slips Daily, monthly review	Admin secretary Principal	Receipts of funds submitted Form 280-34  Bank deposit statements done within admin secretary's duty day <span style="float: right;">+</span>
Share prepared checklist and planning packet with sponsors to guide them through the field trip accounting processes. Sponsors will use MCPS Form 280-41 to document and maintain proper accounting of field trips. Sponsors will note how much each child has paid, the date, and any waivers or scholarships for studnets. Sponsors submit a final copy of 280-41 at the completion of the trip and compare remittance <span style="float: right;">+</span>	Debbie Hill Identified sponsors	Field trip planning packet  Form 280-41	Preservice Field trip planning packet Per field trip Monthly review	Admin secretary Principal	Completed MCPS Form 280-41 Completed checklist and other documents relevant to each field trip



Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Fundraisers will conform to Guidelines for Sponsoring an IAF Fund Raiser by ensuring that the principal approve, in writing, all requests for fundraisers and that a completion report is completed at the conclusion of the activity to analyze the results. All fundraisers will identify how it will contribute toward	Debbie Hill Audra Wilson Identified sponsors	Guidelines for Sponsoring and IAF Fund Raiser	Per fundraiser Completion reports	Admin secretary Principal	Completion reports IAF Account Reports

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: 10/25/18