

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

April 24, 2017

MEMORANDUM

To: Mr. Emmanuel J. Jean-Philippe, Principal
Arcola Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2014, through March 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 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 April 18, 2017, with you, Mrs. Jessica M. Blasic, assistant principal, and Mrs. Loida Ramirez, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated May 16, 2014, and the status of present conditions. 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 purchases must be approved in advance and in writing using MCPS Form 280-54: *Independent Activity Funds Request for a Purchase*. After acquisition, the purchaser should submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the school administrative secretary (refer to the MCPS

Financial Manual, chapter 20, and page 4). In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal. We also noted instances of receipts not annotated by purchasers to indicate that purchased goods or services were satisfactorily received and not marked as “paid” after disbursement. We recommend that the IAF purchases comply with MCPS procedures.

In order to properly control receipts, all cash and checks collected by sponsors for IAF activities should be remitted promptly to the school administrative secretary. Cash should be counted in the presence of the purchaser, and a receipt that is supported by MCPS Form 280-34: *Independent Activity Fund (IAF) Remittance Slip*, should be issued promptly. Remittances received should, in turn, be promptly deposited into the school’s bank account. We found instances in which funds were held by sponsors rather than remitted 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 or theft, and to provide availability of funds to meet school needs, we recommend that all funds should be remitted to the school administrative secretary on the day collected for prompt deposit (refer to the *MCPS Financial Manual*, chapter 7, page 4).

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Student Organization Trips*. Trip approval forms should be signed by the principal, and the director of school support and improvement, when required, and retained for future reference. 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. We found that not all sponsors are providing completed data at the conclusion of each trip, and that data is not being compared to the final account history report. 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

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Purchase documentation must be annotated as “paid” to indicate disbursement was made.
- Funds collected by sponsors must be promptly remitted to the school administrative secretary.
- Funds remitted by sponsors must be promptly verified, receipted, and deposited in the bank by the school administrative secretary.
- 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.

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, 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:AMB:lsh

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. Bayewitz

Mr. Tallur

Mr. Ikheloa

Arcola Elementary School

1820 Franwall Avenue
Silver Spring, Maryland 20902
Phone: 301-287-8585 Fax: 301-649-8592



May 20, 2017

MEMORANDUM

To: Roger W. Pisha, Supervisor, Internal Audit

From: Emmanuel Jean-Philippe, Principal

Subject: Report on Audit of Independent Activity Funds for the Period April 1 2014, through March 31, 2017

In accordance with MCPS Regulation DIA-RA, Accounting for Financial Operations/Independent Activity Funds, I am providing a response to the Internal Audit office to the report on Audit of Independent Activity Funds for the Period April 1, 2014, through March 31, 2017. I have read the findings and recommendations resulting from the examination of the Arcola IAF records and financial accounts for the periods designated above.

As a result of the recommendations the school will take the following actions:

- Purchase requests must be approved by the principal prior to procurement.
- Purchasers must confirm receipt for goods or services prior to disbursement.
- Purchase documentation must be annotated as "paid" to indicate disbursement was made.
- Funds collected by sponsors must be promptly remitted to the school administrative secretary.
- Funds remitted by sponsors must be promptly verified, receipted and deposited in the bank by the school administrative secretary.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate and to reconcile fund collected with costs of the trip.

We will continue to work with our staff and PTA to ensure all IAF activities are administered in accordance with MCPS policies, regulations and procedures. Please feel free to contact me if you have any questions regarding this matter.

Thank you for your support with our audit.

Copy to:
Mr. Bayewitz

Fiscal Management Action Plan

School: Arcola Elementary School

Approved by: 

Principal: Emmanuel Jean-Philippe

Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Monthly Sponsor Reports	<p>The administrative secretary will provide sponsors with a monthly statement of their accounts and they will verify the transactions, and that they are accurate. The administrative secretary will send an email to sponsors requesting their signature on the statement. After resolution of any discrepancies, the statements will be signed and dated by the sponsors and kept on file. The administrative secretary will organize monthly statements in a binder that will be stored on the shelf adjacent to her desk.</p> <p>Person(s) Responsible: Bookkeeper, administrative secretary and account sponsors.</p>	Once per month. In practice beginning April 2014.	Signed and dated statements.
Purchase Request Approval and Receipt Confirmation Purchase requests must be approved by the principal prior to procurement and the purchaser must confirm the receipt of the goods.	<p>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 prior to signing. The invoices for the purchase will be signed and dated by the receiver.</p> <p>Staff members who do not secure advance approval, will not receive reimbursement for purchases. Staff members must confirm receipt for goods or services prior to disbursement. Purchase documentation must be annotated as paid to indicate disbursement was made.</p> <p>Person(s) Responsible: Administrative secretary, principal, staff requesting purchase</p>	In practice procedure began April 2014	Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver.
Documenting Reimbursements Invoices and receipts must be annotated as paid to indicate disbursement was made	<p>All supporting documentation 280-54 must be attached with reimbursement check. Once check has been signed, the administrative secretary will stamp original receipt "paid." Documents will be filed with disbursements for the month.</p> <p>Person Responsible: Administrative secretary</p>	As needed New procedure began December 2014	Completed Form 280-54, with documentation of purchase, and receipt of purchase (stamped as "paid")
Funds for Sponsored Activities Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the administrative	Cash collected by sponsors will be counted in front of the administrative secretary and documented using form 280-34. Administrative secretary will sign form as documentation of receipt and sponsors will make a copy of the signed form for	Daily sponsor submission of funds Immediate receipt of funds (signature and signed copy)	Receipts of funds submitted and bank deposit statements.

secretary and promptly deposited.	their records. Cash will be submitted by sponsors on a daily basis. Administrative secretary will make daily deposits.	of form) Deposits daily as needed.	
Field Trip Planning and Funds 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.	<p>Person Responsible: Administrative secretary, sponsors</p> <p>Sponsors will use MCPS Form 280-41 to provide complete class or club rosters and note how much each student has paid, include the date, and any waivers or scholarships for students. At the completion of the trip, sponsors will check to make sure that the trip account history report matches with the funds they have collected. Sponsors will plan carefully to ensure that they do not overcharge or undercharge for a trip for students. Sponsors 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.</p> <p>The administrative secretary will keep all supporting documentation for each field trip together.</p> <p>Person(s) Responsible: Administrative secretary, Teachers, sponsors, principal</p>	As needed	<p>Completed Form 280-41 and any additional documents relevant to each trip.</p> <p>Final balances verify that trip expense was appropriately calculated.</p>

Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.