


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

July 6, 2016

MEMORANDUM

To: Gregory C. Mullenholz, Principal
Ashburton Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2013, through May 31, 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 IAFs are administered in accordance with MCPS policies, regulations, and procedures.

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 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 July 6, 2016, with you, and Mrs. Marjorie Jacobs, administrative secretary, we reviewed the status of our prior audit report dated October 21, 2013, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2015. 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

MCPS Form 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-4). 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 stamped or marked "Paid." In our sample of disbursements, we again found prior approval was not consistently obtained, and invoices were not signed by the receiver. By requiring written prior approval, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff with an estimate of expenditure amount and signed by you at the time verbal approval is sought.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the administrative secretary with MCPS Form 280-34, *IAF Remittance Slip*, on the same day they are received to minimize the risk of loss or theft. The funds should be verified in the presence of the remitter, and a receipt should be issued promptly. In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and either place the sealed envelope in the business office safe or receive written acknowledgement that it was provided to the administrative secretary. Verification of these funds will be conducted in the presence of the remitter as soon as possible thereafter. We again found that some sponsors were holding funds collected rather than remitting them to the administrative secretary on a daily basis. Remittances were not always promptly deposited into the school's bank account. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual, pp. 7-3, 7-4. To reduce the workload of cash handling requirements for sponsors and administrative secretary, we further recommend using Online School Payment (OSP).

Our review of field trip activities again revealed that not all field trip sponsors are providing completed financial information to the 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 administrative secretary when a trip is completed (see MCPS Financial Manual, p. 20-9). The record of names of participants and funds collected strengthens internal controls by enabling the reconciliation of receipts to entries recorded in the field trip account. We recommend all sponsors be required to use Form 280-41, 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 (repeat);
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the administrative secretary for prompt deposit in the bank;
- Cash handling by sponsors and administrative secretary can be reduced using OSP; and

- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with cost 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 office within 30 days of this report, with a copy to Dr. Sarah Sirgo, director of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:AMB:rp

Copy to:

Dr. Zuckerman
Dr. Statham
Dr. Navarro
Mr. Ikheloa
Dr. Kimball
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit
Dr. Sirgo

Fiscal Management Action Plan

School: Ashburton Elementary School
Approved by Director of School Support and Improvement: Dr. Sarah E. Sirgo

Principal: Greg Mullenholz

Date of approval: 8/23/16



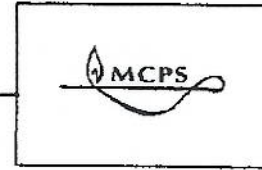
Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Purchase Request Approval Expenditure of funds must be approved by the principal prior to procurement.	At the time that verbal approval is sought from the principal, 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; receipt of goods will be confirmed by signature on store receipt. As noted in our staff handbook, purchases under \$50 may be approved verbally by the principal provided proper documentation accompanies the request for a reimbursement. PEP staff may use their snack accounts to purchase snacks for students without approval each time; receipts will be submitted in a timely fashion. Person(s) Responsible: Administrative secretary, principal, staff requesting purchase	As needed Clarified procedures August 2016	Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver.
Documenting Reimbursements Receipt of goods or services must be confirmed prior to disbursement	All supporting documentation 280-54 must be attached with reimbursement check; the requestor will sign and indicate that goods have been received. Once check has been signed, the administrative secretary will stamp original receipt "paid." Documents will be filed with disbursements for the month. Person Responsible: Administrative secretary. Staff requesting reimbursement	As needed Clarified procedures August 2016	Completed Form 280-54, with documentation of purchase, and receipt of purchase (stamped as "paid")
Documenting Reimbursements Receipts should be dated with the date funds were received from a staff member rather than the date entered into SFO; 280-34 should have the receipt number marked on it. Sponsors should not delay in turning in funds. The admin secretary should not hold funds over \$50 more than 24 hours. There should be a clear process to secure funds when the Admin secretary is away or unable to count the funds.	Receipts are marked with the date received from staff by the admin secretary and will be marked with the receipt number. Sponsors/teachers will be reminded about turning in funds properly. If noted that a staff member has not turned in funds daily or has held them to end of the trip, the principal will be notified and appropriate action will be taken including a written memo to the record. All funds will be remitted to the administrative secretary no later than 4:00pm each day. The administrative secretary will go to the bank within 24 hours of receipt of funds. In the event that funds are turned in after the Admin secretary has made the daily deposit or cannot get to the bank, the funds will be placed in a locked safe.	As needed Clarified procedures August 2016	Receipts will be marked with the receipt number in addition to being attached to the 280-34.

<p>Independent Activity Funds: Field Trips 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</p>	<p>Person(s) Responsible: Admin Secretary, principal</p>	<p>As needed Clarified procedures August 2016</p>	<p>Completed 208-34 and 280-41 forms</p>
<p>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. Field trip accounting forms must be remitted, and funds deposited in a timely manner. Sponsors may not hold money to deposit all at the same time.</p>	<p>Person responsible: administrative secretary, teachers, sponsors Sponsors/teachers will use MCPS Form 280-41 to provide complete class 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 are 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 and trip funds are used to support student learning in alignment with the curriculum. The administrative secretary will keep all supporting documentation for each field trip together.</p>	<p>As needed Clarified procedures August 2016</p>	<p>Field trip documents will reflect final reconciliation. .</p>
<p>Field trip accounting Field trip accounting should be completed at the end of the trip to reconcile all receipts, disbursements and to explain overages or shortages of trip funds and that fees are commensurate with trip expenses. Contracts signed by the principal must be monitored to ensure compliance</p>	<p>Person(s) Responsible: Administrative secretary, Teachers, sponsors, principal Sponsors should reconcile final accounting on the 280-41 forms as noted above and field trip sponsor will work with the Administrative Secretary to reconcile final accounting for the entire grade level, with payment information included for all students who attended the trip. Administrative secretary will reconcile after all disbursements have been made and rectify overages or shortages. Person(s) Responsible: Teachers, field trip sponsors, admin secretary.</p>	<p>As needed Clarified procedures August 2016</p>	<p>Completed Form 280-41 and any additional documents relevant to each trip. 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.

Ashburton Elementary School

6314 Lone Oak Drive, Bethesda, MD 20817 * 240-740-1300



August 25, 2016

MEMORANDUM

To: All Staff

From: Greg Mullenholz

Subject: Financial Process Clarifications

Preface

In July 2016, Ashburton Elementary's financial records and processes were audited by Montgomery County Public Schools. The findings, which are detailed and publicly available, indicate that specific procedures need to be clarified with staff and processes put into place which ensure that all funds collected are accounted for in a transparent and efficient manner. It is important to know that all funds that come into or out of a school are those of the taxpayer, and we are therefore charged with ensuring that all of these funds are accounted for responsibly. Below are the notable findings of the auditor, including our responses, clarifications, and expectations. If you have any questions, please see Greg Mullenholz, principal, or Marney Jacobs, Administrative Secretary.

July 2016 Audit Findings

- 1. Expenditure of funds must be approved by the principal prior to procurement.**
Anytime you make a purchase or are requesting a check, you must fill out a 280-54. All purchases must be approved. You may attach an email as proof of discussion and approval of a purchase. After the purchase is made, please resubmit the form with the receipts. The receipt should be signed and dated, noting that you have received all items.
- 2. Receipt of goods or services must be confirmed prior to disbursement.**
See above to sign and date that you have received all items.
- 3. Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds with costs of the trip.** Field trip sponsors are responsible for ensuring that all grade-level teammates submit form 280-41 in a timely manner and that the 280-41 is accurate with records for all students. Sponsors—the teacher who sets up the trip, must provide all information regarding the trip and have it approved; again an email is ok to be printed out and signed by Greg. Teachers, must be responsible for indicating on the field trip form 280-34 how a child has paid and how much. You should indicate that a child has received a scholarship by noting that and adding the

amount. You should total the amount at the end of the field trip. Sponsors should work with Marney to reconcile the amount totaled with receipts and disbursements at the end of the trip.

4. **Disbursements: the principal did not consistently approve in advance all of the purchases. Also, most of the receipts were not marked by the requestor to indicate satisfactory receipts of goods and services.**

See July 2016 Audit Finding #1.

5. **Records indicated that that sponsors held funds before giving them to the Administrative Secretary.**

All field trip or other funds must be submitted to the Administrative Secretary by 4pm on the day collected. Failure to do so will result in a written memo to the record.

6. **Most of the comprehensive final field trip accounting forms (280-41) were either incomplete or missing. Funds collected for field trips were not always remitted and deposited in a timely manner. In fact, at least two sponsors held all the funds and remitted them on the same day. In addition, there was no evidence to show the Admin Sec reconciled the field trip accounting forms to the accounts, and there were no explanations regarding the overages or shortages of trip funds.**

Please help us by remitting money and forms as noted above and having field trip having field trip sponsors totaling the final amount of the 280-41, ensuring that all students are accounted for.

GCM:mej

Attachments

MCPS Form 280-34

MCPS Form 280-54

MCPS Form 280-41