


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 21, 2016

MEMORANDUM

To: Mr. Andrew J. Winter, Principal
Lucy V. Barnsley Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2014, through September 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 November 9, 2016, with you, and Miss. Monika C. Roberts, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated June 11, 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

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statements, bank reconciliation reports and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date. We

found that these reports were either not dated and signed, or reviewed consistently in a timely manner during the audit period. We recommend that you initiate a process that ensures this important internal control process occurs monthly (refer to the *MCPS Financial Manual*, chapter 20, page 9).

Sponsors of school activities which involve the collection or disbursement of the IAF should be provided an account statement for each month in which transactions have been recorded in their accounts to verify the statement's accuracy. We found that some sponsors did not return verified statements. We recommend that a procedure be established to ensure that all sponsors be required to review and resolve any discrepancies in their accounts and return the signed statements to the school administrative secretary (refer to the *MCPS Financial Manual*, chapter 20, page 10).

Disbursements from the IAF must be controlled in a number of ways. 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). As previously reported, 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 recipients to indicate that purchased goods or services were satisfactorily received and again not marked as "paid" after disbursement. We recommend that the IAF purchases comply with MCPS procedures.

In order to properly control receipts, 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. Once again, 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 and provide availability of funds, we recommend that all funds collected be remitted to the school administrative secretary daily for prompt deposit (refer to the *MCPS Financial Manual*, chapter 7, page 4).

Fundraising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fundraiser*. We again found that there was a lack of adherence to the approval and completion of reporting guidelines. We again noted that fundraisers were not approved by the principal in writing, and that completion reports were not prepared to analyze the results (refer to the *MCPS financial manual*, chapter 20, page 13). 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.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms signed by the principal, and the director of school support and improvement, when required, 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. We found that not all sponsors were 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

- Monthly financial reports must be signed and dated by the principal to indicate review.
- Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the school administrative secretary.
- 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 **(repeat)**.
- Cash handling process must conform to chapter 7 of the *MCPS Finance Manual* **(repeat)**.
- Fundraising must conform to *Guidelines for Sponsoring an IAF Fund Raiser* **(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 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. Loretta M. Favret, 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
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Mrs. DeGraba

Ms. Diamond

Ms. Favret

Mr. Ikheloa

Fiscal Management Action Plan

School: Lucy V. Barnsley Elementary School

Approved by Director of School Support and Improvement: Loretta Favret

Principal: Andrew Winter

Date of Approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Monthly Financial Reports Monthly financial reports must be signed and dated by the principal to indicate review.</p>	<p>A schedule will be set up by the school administrative secretary with a calendar reminder to get the reports to the principal in a timely manner and a tracking system for getting them signed is followed.</p> <p>Person(s) Responsible: Administrative secretary and principal</p>	<p>Once per month. In practice beginning November 2016</p>	<p>Signed and dated statements.</p>
<p>Monthly Sponsor Reports Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary.</p>	<p>Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the school administrative secretary. As noted in the report, some sponsors were very responsible for returning the signed sponsor reports. These are the steps we will follow for sponsors who need a reminder.</p> <p>A copy of the reports will be made so school administrative secretary can keep track of who has turned in the signed and dated monthly report and not.</p> <p>Follow up emails will be sent to sponsors to get the missing reports in to the office.</p> <p>Principal will be notified of sponsors not returning reports for follow up.</p> <p>Signed monthly reports will be kept by month with all monthly financial reports in the file cabinet behind the school administrative secretary's desk.</p> <p>Person(s) Responsible: Bookkeeper, administrative secretary and account sponsor.</p>	<p>Once per month. In practice beginning November 2016</p>	<p>Signed and dated statements.</p>

<p>Purchase Request Approval Purchase requests must be approved by the principal prior to the procurement.</p>	<p>As noted in the report some requests were made after the purchase had been made. The following steps have been stressed to staff by the principal in writing (email 11/9 see attached) and in a staff meeting (11/16).</p> <p>At the time verbal permission is requested from the principal, the Form 280-54 will be obtained, filled out and submitted for signatures from the administrative secretary and the principal. The principal will ensure that documentation/rational for purchase is submitted prior to signature</p> <p>Purchases will not be approved if they have been made before the principal has signed off on them.</p> <p>Staff members who do not adhere to these rules will be denied reimbursement for their purchases.</p> <p>Person(s) Responsible: Administrative secretary, principal, staff requesting purchase.</p>	<p>Ongoing</p> <p>New procedure to begin December 2016</p>	<p>Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver.</p>
<p>Documenting Reimbursement Invoices and receipts must be annotated as paid to indicate disbursement was made.</p>	<p>Before reimbursement is given all invoices and receipts will be turned in to the administrative secretary and proof of all purchases received will also be given.</p> <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(s) Responsible: Administrative secretary</p>	<p>As needed</p> <p>New procedure to begin December 2016</p>	<p>Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver. (stamped as "paid")</p>
<p>Cash Handling Process Cash handling process must conform to chapter 7 of the MCPS Finance Manual.</p>	<p>Money will be counted every day and taken to the bank for a deposit. If money is not able to be counted no more than \$250 will be held over. The money will be secured in a combination safe located in the locked supply closet in the work room.</p> <p>Money will not be delivered to the office by a student. Staff was reminded of this in writing and at staff meeting.</p>	<p>Ongoing and as needed</p>	<p>Completed remittance Form 280-34 will be turned in with all money collected.</p>

	<p>Money will be submitted with a Remittance Form 280-34. Teachers will complete this form in its entirety and attach it to the money turned in. If teachers submit money without the 280-34 it will be returned.</p> <p>Every remittance form must be and will be completed with the:</p> <ul style="list-style-type: none"> Name of Teacher Date of remittance Source of funds Account for funds to be deposited in List of students submitting money Label cash or check and amount Total of cash or check Total of all cash and checks at top of form Teacher signature <p>Person(s) Responsible: Teacher submitting money, administrative secretary</p>		
<p>Field Trip Planning and Funds</p> <p>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>Procedures have been shared with the staff in writing and in a staff meeting. Samples were given out with directions on how to complete the required forms. Staff members who do not comply with the directions will be given written instructions on what needs to be completed with a copy to the principal. If they still do not comply the principal will speak with them.</p> <p>Sponsors will use MCPS Field Trip Accounting Form, form 280-41 to provide complete class or club rosters and note how much each student has paid, include the date, and any waiver (Best Gifts) for students. To be turned in at the end of the field trip.</p> <p>Sponsors will submit a Field Trip Approval form along with admission fees and contracts for principal to sign 4 weeks prior to trip (when possible).</p> <p>Transportation will be acquired by the administrative secretary.</p>	Ongoing and 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>

	<p>Fees will be assessed totaling admission and transportation to provide cost per student then form is submitted to principal along with contracts.</p> <p>Administrative secretary will keep all supporting documentation for each field trip together.</p> <p>Person(s) Responsible: Administrative secretary, Teachers, sponsor, principal</p>		
<p>Fundraising Activities</p> <p>Fundraising must conform to Guidelines for Sponsoring an IAF Fund Raiser.</p>	<p>All fund raisers will be preapproved using form created by administrative secretary. All fund-raisers will have their own sub account in the SFO accounting system. All materials and monies for the fundraiser will be listed under that sub and will be approved by the principal.</p> <p>Person(s) Responsible: Administrative secretary, sponsor, principal</p>	As needed and on going	Signed approval form for fundraiser and supporting documents

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