


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

August 27, 2019

MEMORANDUM

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

From: Mary J Bergstresser, Acting Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2016, through June 30, 2019

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 any significant errors or omissions in the financial records are detected.

At our August 8, 2019, meeting with you and Ms. Joanna O. Miller, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated November 21, 2016, and the status of present conditions. We noted you had not attended finance training since 2009, and we recommend principals attending part I at least every three years. 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, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt (refer to *MCPS Financial Manual*, chapter 20, page 6). In our sample of disbursements, we found documentation was not annotated

by the recipient to indicate purchased goods or services were satisfactorily received. In addition, we noted instances of items purchased online and delivered to the sponsor's residence rather than to the school. By requiring recipients of goods or services to certify satisfactory receipt, it ensures schools get full benefit of purchases. Similarly, requiring goods to be delivered to the school ensures proper control over items. We recommend that all items purchased for the school be delivered to the school and that purchasers sign invoices for goods or services to indicate satisfactory receipt of the quantity and quality of items.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the administrative secretary and accompanied by MCPS form 280-34, *Independent Activity Fund (IAF) Remittance Slip*. Cash should be counted in the presence of the remitter, and a receipt that is supported by the remittance slip should be issued promptly. All funds remitted should be promptly deposited in the school checking account. We found instances in which funds were held rather than promptly remitted and deposited. To improve controls, we recommend following the procedures outlined in the *MCPS Financial Manual*, Chapter 7, page 4.

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 these guidelines. 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. Each fund raiser should be approved by the principal in writing and the approval retained in the school financial office. Financial activities for each fund-raising activity should be recorded in a separate account in the 7000 series and a completion report prepared that analyzes the results (refer to *MCPS Financial Manual*, chapter 20, page 13).

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Student Organization Trips*. Trip approval forms signed by the principal, and the director of learning, achievement, and administration, 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 (refer to *MCPS Financial Manual*, chapter 20, page 10). 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

- Controls over disbursements must include certification of receipt (**repeat**).
- Funds collected by sponsors must be promptly remitted and deposited (**repeat**).

- Fund-raising activities must conform to fund raising guidelines (**repeat**).
- Field trip sponsors must submit complete financial information at trip conclusion (**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. Sarah E. Sirgo, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Sirgo 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 administrative secretary to support you with developing a well-defined plan to address the findings.

MJB:LS:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Dyson

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Reilly

Mr. Tallur

Dr. Sirgo

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: Oct 2016 - June 2019	Fiscal Year: Oct 2016 - June 2019
School: Lucy V. Barnsley ES - 505	Principal: Andrew J. Winter
OSSI Associate Superintendent: Cheryl Dyson	OSSI Director: Sarah Sirgo
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>10/01/16-6/30/19</u>, strategic improvements are required in the following business processes :</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Principal and Admin Secretary Attend Finance Training Parts 1 and 2	Principal Admin Secretary	Register on PDO	PDO Registration	Fall 2019	Completion of Class as Noted on PDO
Review with Staff required paperwork for money collection, field trip, remittance of funds, and fundraisers	Admin Secretary Principal	Money Collection Forms, Outlined Procedures 280-41	Pre-Service Staff Meeting	Admin Secretary Principal	Completed on August 30
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. Promptly receipt all remittance of funds including the remittance-receipt- deposit process	Admin Secretary	Form 280-34 and 280-41	Monthly Financial Reports	Admin Secretary Bookkeeper Principal	Completed Form 280-34 and 280-41 and any additional documents relevant to each trip.
Fundraising Activities Fund-raising must conform to Guidelines for Sponsoring an IAF Fund Raiser	Admin Secretary Principal Fundraiser Sponsor	Outlined procedures for approval and completion requirements, MCPS Manual	Ongoing when fundraisers occur; preapproved form, sub accounts, monthly financial report	Admin Secretary Principal Sponsor	Signed approval form for fundraiser and supporting documents

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchase Request Approval Purchase requests must be approved by the principal prior to procurement.	Admin Secretary	Form: 280-54	Monthly review of purchases through Monthly Financial Report	Admin Secretary Principal Staff Requesting	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	Admin Secretary	MCPS Finance Manual	Ongoing	Admin Secretary	Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver. (stamped as paid),

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL

Approved Please revise and resubmit plan by _____

Comments: *We discussed the ongoing and repeated findings. Mr. Winter is in the process of hiring a new administrative secretary who will steward this work forward.*

Director: *Sarah Gujo* Date: *9/18/19*