MEMORANDUM

To: Mrs. Jerri L. Oglesby, Principal
    Bells Mill Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
          April 1, 2015, through February 28, 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 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 April 24, 2018, meeting with you, and Mrs. Laurene M. Over, school administrative secretary, we reviewed our prior audit report dated April 24, 2015, 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

MCPS Form 280-54, Independent Activity Funds Request for a Purchase, is used to obtain the principal’s approval to proceed with an intended 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. Upon
disbursement, the documentation is to be stamped or marked “paid” to preclude duplicate payment (refer to MCPS Financial Manual, chapter 20, 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 invoices supporting purchases were not stamped or marked “paid.” We recommend that the IAF purchases comply with MCPS procedures.

Contracts for school pictures shall specifically state the terms of the contract including commissions, rebates, bonuses, and free items provided by the contractor. Once the contract is approved by the principal, it must be monitored to ensure compliance. We discovered that the minimum guaranteed commission for school year 2015–2016 for $2,200 had not been received. At our request, the contractor was contacted and the payment was subsequently received. We recommend that financial staff establish a process for monitoring contract activity to ensure that all statements are received and filed, commissions due are received, and other terms such as free items and signing bonuses have been met.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Purchase invoices must be annotated as “paid” to indicate disbursement was made.
- Contracts should be monitored to ensure compliance.

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 school support and improvement of elementary schools. 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 administrative secretary to support you with developing a well-defined plan to address the findings.

RWP:AMB:1sh

Attachment

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. Reilly
Dr. Sirgo
Mr. Tallur
Mr. Ikheoa
FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY18 - FY19

School: Bells Mill ES - 607
OSSI
Associate Superintendent: Dr. LaVerne Kimball

Principal: Jerri L. Oglesby
OSSI
Director: Dr. Sarah Sirgo

Strategic Improvement Focus:
As noted in the financial audit for the period 4/1/15 - 2/28/18, strategic improvements are required in the following business processes:

Purchase Request Approval and Monitoring of Contracts Signed by the Principal

<table>
<thead>
<tr>
<th>Action Steps</th>
<th>Person(s) Responsible</th>
<th>Resources Needed</th>
<th>Monitoring Tools / Data Points</th>
<th>Monitoring: Who &amp; When</th>
<th>Results/Evidence</th>
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<tbody>
<tr>
<td>Form 280-54 will be completed at the time of verbal approval for a purchase. Form 280-54 are now located on desk of principal and admin. sec., and workroom. Invoices will be signed and dated when goods are received by staff. Admin sec. will stamp paid to ensure all disbursements have been made.</td>
<td>Admin. Sec. Principal Staff Requesting Purchase</td>
<td>Form 280-54</td>
<td>Completed Forms 280-54 Documentation Attached to support purchase Signed Receipt of Purchase on Invoice</td>
<td>Admin Sec Bookkeeper Ongoing - monthly</td>
<td>Completed Forms with Documentation Invoice signed by receiver Invoices Stamped Paid</td>
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<tr>
<td>Prior to end of year closing out of accounts review all contracts (pictures). Monitor all contract statements to ensure that all conditions are met and commissions are received in a timely manner and deposited in IAF.</td>
<td>Admin Sec. Principal</td>
<td>Contracts with conditions and terms</td>
<td>Contracts Monthly Account History Reports</td>
<td>Admin Sec. Bookkeeper Review at the end of each semester</td>
<td>Commissions are receipted and deposited in IAF prior to end of each school year</td>
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**OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL**

☑ Approved  ☐ Please revise and resubmit plan by ____________

Comments:

Director: [Signature] Date: 5/23/18