

Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

May 1, 2018

MEMORANDUM

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

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

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:lsh

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. Ikheloa



## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> FY18 - FY19	<b>Fiscal Year:</b> FY18 - FY19
<b>School:</b> Bells Mill ES - 607	<b>Principal:</b> Jerri L. Oglesby
<b>OSSI</b> <b>Associate Superintendent:</b> Dr. LaVerne Kimball	<b>OSSI</b> <b>Director:</b> Dr. Sarah Sirgo
<p><b><u>Strategic Improvement Focus:</u></b>                  As noted in the financial audit for the period <u>4/1/15 - 2/28/18</u>, strategic improvements are required in the following business processes :</p> <p>Purchase Request Approval and Monitoring of Contracts Signed by the Principal</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
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.	Admin. Sec. Principal Staff Requesting Purchase	Form 280-54	Completed Forms 280-54 Documentation Attached to support purchase Signed Receipt of Purchase on Invoice	Admin Sec Bookkeeper  Ongoing - monthly	Completed Forms with Documentation Invoice signed by receiver Invoices Stamped Paid
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.	Admin Sec. Principal	Contracts with conditions and terms	Contracts Monthly Account History Reports	Admin Sec. Bookkeeper  Review at the end of each semester	Commissions are receipted and deposited in IAF prior to end of each school year

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

Approved     
  Please revise and resubmit plan by \_\_\_\_\_

Comments:

Director: Sarah Sigo      Date: 5/23/18