

Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

January 26, 2017

MEMORANDUM

To: Mrs. Jolynn E. Tarwater, Principal  
Brooke Grove Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
September 1, 2015, through December 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 fund-raisers. 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 meeting on January 18, 2017, with you and Mrs. Tammy Hertel, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated October 27, 2015, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2016. 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 (refer to *MCPS Financial Manual*, chapter 20, page 4). Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. A check may then be drawn, it must bear two signatures, one of which is that of the

principal or acting principal. The school administrative secretary will then mark the documentation as "paid." In our sample of disbursements, we found instances in which controls over purchases were weakened because of documentation missing or not adequately supplied. The documentation supporting purchases was not always stamped or marked "paid," and documentation was not annotated by purchaser to indicate purchased goods or services were satisfactorily received. We recommend that the IAF purchases comply with MCPS procedures. We found that although your appointment to the school was effective July 1, 2016, you had not been added as an authorized check signer on the checking account at the time of our audit. We recommend that you be added as a check signer as soon as possible. In addition, when you are authorized, you should sign all checks and take steps to bring disbursement into compliance with the *MCPS Financial Manual*.

In order to properly control receipts, cash and checks collected by IAF sponsors for activities should be remitted promptly and with full documentation to the school administrative secretary together with MCPS form 280-34: *Independent Activity Fund (IAF) Remittance Slip*, which identifies the source of the funds. After the sum of the remittance is verified, a receipt should be issued to the purchaser. Daily receipts should be promptly deposited to the schools checking account. Records of remittances, receipts, and deposits, including a deposit analysis form prepared by the accounting software should be assembled and filed in accordance with MCPS procedures. We found that not all sponsors were promptly remitting fees and other funds collected, and that records were not in compliance with MCPS Financial Manual requirements. To minimize the risk of loss and provide availability of funds to meet school needs, we recommend that all funds collected be remitted daily for prompt deposit to the school administrative secretary and that documentation be assembled and filed in accordance with MCPS procedures (refer to *MCPS Financial Manual*, chapter 7, page 4).

Aggregate school expenditures of general funds for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per full-time equivalent (FTE) per fiscal year without the prior written authorization from the chief operating officer (COO) (refer to *MCPS Financial Manual*, chapter 20, page 5). We found that you exceeded the total amount allowed in Fiscal Year 2016, without approval of the COO and that expenditures for these items in the current year are nearing the limit. We recommend you closely monitor these expenditures and seek the necessary approval if you need to exceed the limits.

#### Summary of Recommendations

- Purchaser must confirm receipt of goods or services prior to disbursement (repeat).
- Purchase documentation must be adequate to support disbursements (repeat).
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made.
- Checks will bear two signatures, one of which must be that of the principal or acting principal (repeat).
- Funds collected by sponsors must be promptly remitted to the school administrative secretary (repeat).

- Staff appreciation and meeting refreshment combined total expenditures may not exceed \$60 per FTE per fiscal year without prior approval of the COO.

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*, please provide a response to the Internal Audit Unit within 30 calendar days of this report, with a copy to Mr. Mathew A. Devan, 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:LS:ish

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

Mr. Devan

Ms. Diamond

Mr. Tallur


Mr. Ikheloa

Brooke Grove Elementary School  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Olney, Maryland

February 24, 2017

**MEMORANDUM**

TO: Auditor

FROM: Jolynn E. Tarwater, Principal 

SUBJECT: IAF Audit Response for the period September 1, 2015 through December 31, 2016

The following is a response to the findings and recommendations to the Report on the Audit of Brooke Grove Elementary school's Independent Activity Funds (IAF) for the period of September 1, 2015, through December 31, 2016.

After review of the Audit report, the administrative secretary and I have resolved a few of the findings and instituted several new processes and procedures to address the financial management of Brooke Grove Elementary School's IAF. The attached Action Plan has been implemented and the checks and balances instituted.

Thank you for your time and effort to assist our staff in maintain effective fiscal management of IAF. Please let me know if you have any further questions or suggestions.

Attachments

Cc: Dr. Kimball  
Mr. Devan

### Fiscal Management Action Plan

School: **Brooke Grove Elementary School**    Principal: **Jolynn Tarwater**    Approved by community superintendent: \_\_\_\_\_ Date of approval: \_\_\_\_\_

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<b>Confirm Receipt of Goods:</b> Purchaser must confirm receipt of goods or services prior to disbursement.	The purchaser will confirm the receipt of the goods or services when received and sign on the receipt attached to the 280-54 form.  Person(s) Responsible: Administrative secretary, purchaser.	New Procedure began January, 2017.	Copy of a receipt with signature to confirm that the good was received.
<b>Purchase documentation:</b> Purchase documentation must be adequate to support disbursements.	There was a lunch receipt from a restaurant that had an email as the receipt. We will ensure we have a register receipt with any food purchases.  Person(s) Responsible: Administrative secretary.	As needed	Completed Form 280-54, with a register Receipt of purchase.
<b>Receipts marked paid:</b> Purchase invoices and receipts must be annotated as paid to indicate disbursement was made.	Was marking paid on the 280-54 form? I will now mark paid on the receipt attached to the 280-54 form.  Person(s) Responsible: Administrative secretary	New procedure began January, 2017.	Completed form 280-54 with the receipt marked paid.
<b>Checks with 2 signatures:</b> Checks will bear two signatures, one of which must be that of the principal.	Checks have had 2 signatures, however not the principals. Mrs. Tarwater is a new principal and is now added as a signer at the bank and will sign all checks.  Person(s) Responsible: Administrative secretary, Principal	When checks are written.  Mrs. Tarwater's name was added with the bank on 1/18/17.	The bank signature approval form.
<b>Funds collected by sponsors:</b> Funds collected by sponsors must be promptly remitted to the school administrative secretary.	Cash collected by sponsors will be submitted to the administrative secretary when they receive the payments on a daily basis.  Person(s) Responsible: Classroom teachers.	Each day a sponsor has received money they are to bring it to the office for deposit.	All staff received an instructional packet while viewing a slideshow at preservice. All staff was instructed to submit payment on a daily basis. All forms are in T-Share and in the office so they are always available to the staff.
<b>Funds for Sponsored Activities:</b> Staff appreciation and meeting refreshment combined total expenditures may not exceed \$60.00 FTE per fiscal year without prior approval of the COO.	The amount we are allowed to spend on staff has already been added to the appropriate staff accounts. We will not have more expenditures than what is in that account.  Person(s) Responsible: Administrative secretary, Principal, Accountant	Yearly	Report showing the full amount that is allowed to spend on staff in the staff appreciation and staff food accounts.

*Note: A copy of the approved plan is to be sent to the Internal Audit Office,*