


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

July 9, 2018

MEMORANDUM

To: Mr. John W. Taylor, Principal
Cabin John Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2016, through March 31, 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 and are 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 June 26, 2018, meeting with you and Mrs. Maggie H. Tung, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated October 21, 2016, 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

Regardless of the documentation that approved the procurement of goods and services contained within MCPS iReceivable invoices, the electronic payments for these invoices via Automated Clearing House (ACH) debits to the school's IAF bank account, must be approved by the principal (refer to *MCPS Financial Manual*, chapter 20, page 6). MCPS invoices should be accessed online

in the Financial Management System (FMS) iReceivables, and then printed, reviewed, and authorized for payment by the principal on MCPS Form 280-54, *Independent Activity Funds Request for a Purchase* (refer to MCPS/Business Center/IAF-SFO tab; *Recording iReceivable Payments in School Funds Online (SFO) revision 7-2017*). We found that the IAF ACH disbursements for MCPS iReceivable invoices were not authorized by the principal. We recommend that you adhere to the MCPS requirements for these electronic ACH payments.

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). The purpose of each disbursement, the IAF account name/number, and balance available prior to the expenditure is recorded on this form in order to properly charge appropriate accounts and to ensure that expenditures comply with IAF requirements. We found missing account and balance information on the MCPS Forms 280-54, which caused errors in posting purchases to School Funds Online IAF accounts. We recommend that MCPS Form 280-54 be completed by staff with all requested information in order for the principal to retain control over the expenditure of IAFs.

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, must contain all expense information, any subsidy information, and the field trip cost to be charged per student. Field trip sponsors should record student payments on MCPS Form 280-41, *Field Trip Accounting*, or equivalent, compare financial data to the final IAF account history report, and submit their reconciliation to the school financial specialist when a trip is completed (refer to *MCPS Financial Manual*, chapter 20, page 10). We found a field trip approval form that did not include all information and a different amount was charged to students than approved. Review of field trip activities revealed that the field trip accounting did not agree with the IAF account history report receipt information and not all sponsors are providing completed financial information to the school financial specialist at the completion of a trip. We recommend that all sponsors provide all information on their field trip request for approval form, adhere to the approved amount to charge students, and provide a financial reconciliation report to the school financial specialist at the conclusion of the trip.

Summary of Recommendations

- IAF electronic payments for MCPS iReceivables must be reviewed, and approved by the principal.
- The IAF request for purchase approval form must be completed with all required information
- Field trip request for approval forms must contain all relevant information, the student cost approved cannot be changed without a new approval, and records prepared by sponsors must provide comprehensive data to reconcile funds collected with costs of the trip

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. Peter O. Moran, director of school support and improvement. Based on the audit recommendations, Dr. Moran will indicate whether he will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school financial agent to support you with developing a well-defined plan to address the findings.

RWP:KMH:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Dr. Williams

Mrs. Camp

Mrs. Chen

Ms. Diamond

Dr. Moran

Mr. Tallur

Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2017 and 2018	Fiscal Year: 2017 and 2018
School: Cabin John MS - 606	Principal: John Taylor
OSSI Associate Superintendent: Ms. Cheryl Dyson	OSSI Director: Dr. Peter Moran
Strategic Improvement Focus: As noted in the financial audit for the period <u>9/1/16-3/31/18</u> , strategic improvements are required in the following business processes : - IAF electronic payments for MCPS iReceivables. - The IAF request for purchase approval forms. - Field Trip request process must be followed	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
A Request For Purchase form will be completed for each iReceivable. This will be reviewed and signed by the principal.	Ms. Tung, Mr. Taylor	Form 280-54	During Weekly and Monthly meetings, Mr. Taylor and Ms. Tung will review iReceivables to ensure a matching RFP Form is done	Weekly and Monthly during Financial Meetings	
Review with all staff the importance of completing Form 280-54 completely, to include the account number and balance.	Ms. Tung	Form 280-54 Account Balances	-Staff Meeting agendas during Pre-Service -Weekly and Monthly Financial Meetings	Weekly and Monthly during Financial Meetings	
Review all Requests for Purchase to ensure that they are completely filled out before approval is granted.	Ms. Tung Mr. Taylor	Form 280-54	Ongoing review of each form	Ongoing by Ms. Tung and Mr. Taylor	
Revise Field Trip Approval Process and share with both ILT and teachers.	Ms. Tung Ms. Mills Mr. Taylor	-Field Trip Request forms -Master Calendar	-Staff Meeting Agendas for Pre-Service. - ILT Agendas	Quarterly Review of all Field Trip Request to ensure accuracy	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Review Field Trip Expectations with all sponsors to ensure they are using required forms and following all procedures.	Ms. Tung Ms. Mills	-Field Trip Request Packets -Field Trip Calculators	-Submitted Field Trip Requests -Review during Weekly and Monthly Financial Meetings	Ongoing by Ms. Tung Ms. Mills and Mr. Taylor	
Review all Field Trip Requests and Final paperwork to ensure procedures were followed.	Ms. Tung Mr. Taylor	-Field Trip Expectations	-Submitted Field Trip Requests -Review during Weekly and Monthly Financial Meetings	Ongoing by Ms. Tung and Mr. Taylor	

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

☒ Approved

☐ Please revise and resubmit plan by _____

Comments:

Director: _____

Date: 9/6/18