MEMORANDUM

To: Ms. Sherri A. Gorden, Principal
    Cresthaven Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
         August 1, 2015, through September 30, 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 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 November 27, 2018, meeting with you and Mrs. Terri L. Hawthorne, school administrative
secretary, we reviewed the status of the conditions described in our prior audit report dated
September 18, 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

Regardless of the documentation that approved the procurement of goods and services, all
disbursements from a school's IAF must be approved by the principal using MCPS Form 280-54,
Independent Activity Funds Request for a Purchase, prior to the expenditure of funds. Invoices
for goods or services must be signed by the purchaser to indicate satisfactory receipt and the school
administrative secretary should mark the documentation as “paid” upon disbursement (refer to
MCPS Financial Manual, chapter 20, page 6). In our sample of disbursements, we found instances in which controls over purchases were weakened. This included MCPS Form 280-54 not being prepared when paying MCPS iReceivables, documentation supporting purchases not stamped or marked “paid,” and documentation not annotated by recipient to indicate purchased goods or services were satisfactorily received. We recommend that MCPS Form 280-54 be prepared prior to paying MCPS and that all documentation be stamped or marked “paid,” and that staff indicate if all items or services were received satisfactorily.

MCPS Form 280-49A, Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF), specifies that it is required to document authorization/approval for all consultant/independent contractor services paid with IAF. If payment due for the vendor’s services is $1,500 or more, a purchase order is required. (refer to MCPS Financial Manual, chapter 15, page 2). We found that you were not completing MCPS Form 280-49A when paying an independent contractor for services. We recommend that you follow the procedures for hiring and paying consultants/independent contractors with IAF.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with MCPS Form 280-34, Independent Activity Fund (IAF) Remittance Slip, to the school administrative secretary on the day the funds are received (refer to MCPS Financial Manual, chapter 7, page 4). We found instances in which staff collecting funds for field trips and yearbooks were holding rather than remitting funds timely to the school administrative secretary. We recommend that all staff who collect funds for school activities be reminded of remittance requirements.

Fund-raising at the school must conform to the Guidelines for Sponsoring an Independent Activity Fund Fund Raiser. Each fundraiser should be approved by the principal in writing and the approval retained in the school office. Financial activities for each fundraising 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). We found that there was a lack of adherence to these guidelines. We recommend that you follow the internal control guideline procedures to provide for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event.

Review of field trip activities revealed that not all field trip sponsors are providing completed financial information to the school administrative secretary at the completion of a trip. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41, Field Trip Accounting, or equivalent, and submit the data to the administrative secretary when a trip is completed (refer to MCPS Financial Manual, chapter 20, page 10). The record of the names of participants and the sums collected strengthens internal controls by enabling the administrative secretary to perform a reconciliation of receipts collected to sums recorded in the field trip account. We recommend that all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above.

Summary of Recommendations

- IAF disbursements must be documented using MCPS Form 280-54.
- Purchaser must confirm receipt of goods or services prior to disbursement (repeat).
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made (repeat).
- MCPS 280-49A must be prepared when hiring independent contractors.
- Funds collected by sponsors must be promptly remitted to the school administrative secretary (repeat).
- Fund-raising must conform to Guidelines for Sponsoring an IAF Fund Raiser.
- 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.

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. Mary Jane Q. Ennis, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Ennis 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.

RWP:GW:B:lsh

Attachment

Copy to:
- Members of the Board of Education
  Dr. Smith
  Dr. Navarro
  Dr. Statham
  Dr. Zuckerman
  Mr. Civin
  Dr. Johnson
  Mrs. Morris
  Mrs. Camp
  Mrs. Chen
  Ms. Diamond
  Dr. Ennis
  Mr. Reilly
  Mr. Tallur
  Ms. Webb
Strategic Improvement Focus:

As noted in the financial audit for the period 8/1/18-9/30/18, strategic improvements are required in the following business processes:

<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>
</tr>
</thead>
<tbody>
<tr>
<td>Consistent use of form 280-54 prior to purchase and on all expenditures</td>
<td>admin</td>
<td>280-54 form MCPS Financial manual Chpt 20, page 6</td>
<td>Financial Document provided to staff</td>
<td>principal @ time of signature</td>
<td>all expenditures will have 280-54 prior to any/all expenditure of funds</td>
</tr>
<tr>
<td>All receipts marked paid</td>
<td>admin</td>
<td>stamp</td>
<td>Financial Document provided to staff</td>
<td>principal @ time of signature</td>
<td>all receipts stamped</td>
</tr>
<tr>
<td>Use of form 280-49A prepared/provided prior to hiring an independent</td>
<td>admin</td>
<td>280-49A form MCPS manual Chapter 15, page 2</td>
<td>Financial document provided to staff</td>
<td>admin check system at time of contractor selection submit form if not already in system</td>
<td>All contractors working at school are approved</td>
</tr>
<tr>
<td>contractor that is not in the system already and designated as set up</td>
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<td>system-wide</td>
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<tr>
<td>Funds from sponsors submitted on daily basis</td>
<td>sponsors</td>
<td>remittance forms MCPS Financial manual Chpt 7, page 4</td>
<td>admin check with sponsors regularly, reminder emails, referral to financial document provided to staff</td>
<td>admin/daily</td>
<td>Sponsors daily remittance of collected funds</td>
</tr>
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<tr>
<td>Closely follow guidelines for school fundraisers</td>
<td>admin Sponsors</td>
<td>Forms; acct set up MCPS Financial Manual Chap t 20 page 13</td>
<td>Provide &amp; Follow up with sponsors for necessary forms; set up accounts for each fundraiser</td>
<td>admin, sponsors @ start and completion of fundraiser</td>
<td>Complete &amp; approved fundraiser forms and accounts</td>
</tr>
<tr>
<td>Field Trip accounting forms complete for students and funds by each teacher for each field trip</td>
<td>admin Sponsors</td>
<td>MCPS Financial Manual Chap t 20 page 10; form 280-41</td>
<td>Admin followup with sponsors throughout collection process and quick completion of reconciliation once trip is complete</td>
<td>admin and sponsors</td>
<td>Reconciled field Trip once trip is completed with all necessary forms attached from each sponsor.</td>
</tr>
</tbody>
</table>

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

☐ Approved  ☐ Please revise and resubmit plan by ____________

Comments: [signature]

Director: [signature] Date: 1/12/19