


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 20, 2020

MEMORANDUM

To: Mr. Spencer Delisle, Principal
Damascus Elementary School

From: Mary J. Bergstresser, Acting Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2017, through December 31, 2019

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 January 28, 2020, meeting with you; Ms. Carol A. Kelly, visiting bookkeeper; and Ms. Tracy E. Paris, school administrative secretary, we reviewed the prior audit report dated February 5, 2018, and the status of present conditions. It should be noted that your appointment as principal was effective July 11, 2019, and that Ms. Tracy Paris was assigned as school administrative secretary on January 23, 2019. 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

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account history report for each month in which transactions have been recorded in their account, or account has a balance. We found this essential internal control procedure was not

being used for sponsors other than the principal. We recommend that sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the statements must be signed and dated by the sponsor to attest to their accuracy. A procedure must be established to ensure that all statements are reviewed and returned (refer to the *MCPS Financial Manual*, chapter 20, page 10).

Once a check or receipt has been written, it shall not be erased or altered. If an error is discovered, the check or receipt should be marked "void" and a replacement should be issued. Any misprinted checks or receipts should be entered into the accounting system, and all three parts of the voided check and both parts of any voided receipt forms should be defaced and retained. We found that voided checks and receipts could not always be found. We recommend that checks and cash receipts written in error be properly voided and retained for audit. (refer to the *MCPS Financial Manual*, chapter 7, page 4, and chapter 20, page 6).

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 the *MCPS Financial Manual*, chapter 20, page 4). The purpose of each disbursement must be fully explained on this form in order to properly record expenditures in appropriate accounts, and to ensure that expenditures comply with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. Disbursements made by ACH drawn on the school's IAF bank account, regardless of the documentation that approved the procurement of goods and services, are required to be approved by the principal using MCPS Form 280-54, with a summary spreadsheet detailing the IAF account(s) to be charged, prior to expenditure of funds (refer to the *MCPS Financial Manual*, chapter 20, page 6). In our sample of disbursements, we found instances in which MCPS Form 280-54 was not signed by the principal prior to procurement and documentation was not annotated by recipient to indicate purchased goods or services were satisfactorily received. We also noted that IAF disbursements for MCPS iReceivable invoices were not reviewed and authorized for payment by the principal. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that MCPS Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and when paying iReceivables, and that invoices/packing slips be marked "received", signed and dated by the receiver once merchandise has been satisfactorily received.

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the school administrative secretary. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (refer to the *MCPS Financial Manual*, chapter 7, pp. 4-5). We found that staff collecting funds were at times holding them rather than remitting timely to the school administrative secretary, and the school administrative secretary was not always making prompt deposits in accordance with MCPS policy and procedures. Large and infrequent deposits increase the possibility of loss of funds, as well as decrease the school's ability to fund activities. To minimize the risk of loss or theft and provide availability of funds to meet school needs, all funds collected should be remitted to the school administrative secretary daily for prompt deposit (refer to the *MCPS Financial Manual*, chapter 7, page 4).

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 school administrative secretary when a trip is completed (refer to the *MCPS Financial Manual*, chapter 20, page 10). The record of the names of participants and sums collected strengthens internal controls by enabling the school 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. The school administrative secretary should follow up with sponsors who have not submitted the required accounting form so that an account reconciliation can be completed.

Notice of Findings and Recommendations

- Sponsors of school activities must be required to review their account history reports and certify their accuracy **(repeat)**.
- Checks/receipts that are voided must be defaced and retained.
- Purchase requests must be approved by the principal prior to procurement and MCPS 280-54 prepared for all disbursement of funds.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Cash and checks (funds) collected by sponsors must be promptly remitted to the school administrative secretary **(repeat)**.
- Cash and checks (funds) remitted by sponsors must be promptly receipted and deposited in the bank by the school administrative secretary in accordance with Chapter 7 of the *MCPS Financial Manual*.
- 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 **(repeat)**.

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.

MJB:SMY:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Morris

Mrs. Camp

Mrs. Chen

Dr. Ennis

Mr. Marella

Mr. Reilly

Mr. Tallur

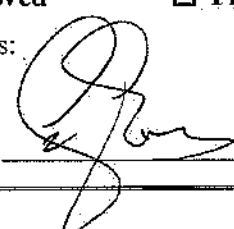
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2020	Fiscal Year: 2020
School: Damascus ES - 702	Principal: Spencer Delisle
OSSI Associate Superintendent: Mrs. Diane Morris	OSSI Director: Dr. Jane Ennis
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>12/17- 12/19</u>, strategic improvements are required in the following business processes :</p> <p>Sponsor reports, voided check inventory, purchase request approval, purchase request disbursement, fund remittance and deposits, and field trip record keeping</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Email notification is being sent out to Sponsors within 24 hours of the Bookkeeper's visit indicating that Sponsor Reports have been run and that they are available for review and signatures which are maintained in a Sponsor Binder. Reminder emails are sent to anyone who hasn't completed this task within a 3-day period.	Administrative Secretary, Principal	Sponsor documentation in binders. E-mails sent within 3 days	New Monthly checklist created specifically for action steps outlined in this plan.	Once per month. In practice beginning February 2020 by admin secretary and principal during monthly meeting.	Signed and dated documents and completed checklist.
A newly created "Void" binder is used to maintain voided checks and receipts will now be retained in a "Returned Check" binder and addressed with the account owner. All voided checks and receipts will be marked "VOID" and filed separate from all other checks and receipts	Administrative Secretary, Principal	New binder that is separate for voided checks.	New Monthly checklist created specifically for action steps outlined in this plan.	Once per month. In practice beginning February 2020 by admin secretary and principal during monthly meeting.	Voided checks and completed checklist.
At the time that verbal approval is sought from the principal, e-mail documentation will be obtained and printed. This will follow with completion of Form 280-54 signed by both requesting staff and the principal. The principal will ensure detailed documentation/rationale of the purchase is attached to the request prior to signing.	Administrative Secretary, Principal	Form 280-54 and e-mail correspondence attached in binder.	New Monthly checklist created specifically for action steps outlined in this plan.	Once per month. In practice beginning February 2020 by admin secretary and principal during monthly meeting.	Signed and dated documents and completed checklist.
A receipt that is initialed designating actual receipt of goods will accompany check sent to the principal for sign-off. Reimbursement for purchases where an actual receipt doesn't exist will be noted with the date upon arrival of the merchandise. This may be in the form of a packing slip or a signed note when no packing slip exists.	Administrative Secretary, Principal	Receipt or physical evidence of receipt	New Monthly checklist created specifically for action steps outlined in this plan.	Once per month. In practice beginning February 2020 by admin secretary and principal during monthly meeting.	Receipts and documentation signed and completed checklist.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
As needed staff are reminded that every effort should be made to remit funds daily. There should not be a gap in time from the date of the Remittance Form and the date it is received to be processed. Teachers will turn in funds by 2:00 pm daily.	Administrative Secretary, Principal	Training for staff OSP access	New Monthly checklist created specifically for action steps outlined in this plan.	Once per month. In practice beginning February 2020 by admin secretary and principal during mo	Remittance forms and dates align and completed checklist.
ASAP we will switch to OSP (online school payments) to reduce the physical handling of money at school. The administrative secretary will deposit funds at the bank by 4:45 pm each day. We will also purchase a safe for times when holding small amounts is unavoidable	Administrative Secretary, Principal	Training for staff OSP access	New Monthly checklist created specifically for action steps outlined in this plan.	Once per month. In practice beginning February 2020 by admin secretary and principal during mo	Bank deposit forms and and completed checklist.
Sponsors will use MCPS Form 280-41 to provide complete class or club rosters and note how much each student has paid, include the date, and any waivers or scholarships for students. Sponsors will check to make sure that the trip account history report matches funds collected.	Administrative Secretary, Principal	Training for staff	New Monthly checklist created specifically for action steps outlined in this plan.	Once per month. In practice beginning February 2020 by admin secretary and principal during mo	Satisfactory completion of 280-41 and completed checklist.
After field trips, Field Trip Reconciliation Forms will be completed and thoroughly reviewed to provide back-up documentation included in our Field Trip binder.	Administrative Secretary, Principal	Reconciliation form binder	New Monthly checklist created specifically for action steps outlined in this plan.	Once per month. In practice beginning February 2020 by admin secretary and principal during mo	Back up binder check and completed checklist.

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved <input type="checkbox"/> Please revise and resubmit plan by _____	
Comments:	
Director: 	Date: 3/5/20