


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 7, 2016

MEMORANDUM

To: Mrs. Mary E. Bliss, Principal
Farmland Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
June 1, 2013, through October 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 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.

In our meeting on November 30, 2016, with you and Ms. Irma Mendez, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated July 30, 2013, 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

On the day sponsors collect cash and checks for the IAF activities, they must remit the funds with MCPS Form 280-34: *Independent Activity Fund (IAF) Remittance Slip*, to the school administrative secretary. After verification of the amount of funds in the presence of remitters, the school administrative secretary will issue to each remitter a receipt printed from the School Funds Online (SFO) accounting software program, and also print the SFO bank analysis form.

Upon return from the bank, the school administrative secretary will attach to the MCPS Forms 280-34, the deposit slip annotated by the bank to acknowledge receipt of the funds, the SFO deposit analysis form and all copies of SFO receipts. This group of documents should be filed in deposit number order. We found instances in which fees for field trips were not promptly remitted, as well as other deviations from this required process (refer to *MCPS Financial Manual*, chapter 7, page 4). We recommend compliance with MCPS cash handling procedures.

Disbursement of IAF must be controlled in a number of ways. All purchases must be approved in advance and in writing using MCPS Form 280-54: *Independent Activity Funds Request for a Purchase*. After the purchase is completed, 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. A check may then be drawn and the invoice or other evidence of purchase should be marked "paid" to avoid duplicate payments. We found documentation was not being notated to verify receipt of goods or services and supporting documentation was not being notated to indicate payment had been made. We recommend action be taken to correct these conditions and bring purchasing into conformity with MCPS requirements (see *MCPS Financial Manual*, pp. 20-4).

Summary of Recommendations

- Cash handling process must conform to chapter 7 of the *MCPS Finance Manual*.
- Controls over purchasing must comply with MCPS procedures.

Other matters were discussed and satisfactorily resolved. We appreciated 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 Dr. Sarah E. Sirgo, 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:LAS:lsh

Copy to:

Members of the Board of Education	Ms. Diamond
Dr. Smith	Dr. Sirgo
Dr. Navarro	Mr. Ikheloa
Dr. Statham	
Dr. Zuckerman	
Dr. Johnson	
Mr. Civin	
Dr. Kimball	
Mrs. Camp	
Mrs. Chen	

Fiscal Management Action Plan

School: Farmland Elementary School

Approved by Director of School Support and Improvement: Sarah Sirgo

Principal: Mary Bliss

Date of approval: 12/16/16

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Field Trip Planning and Funds Cash handling process must conform to chapter 7 of the <i>MCPS Finance Manual</i></p>	<p>On the day that classroom teachers or sponsors collect money, the money and form 280-34 will be given to the administrative secretary. The administrative secretary will count the money on the same day and create a receipt in SFO that will be given to the teacher or sponsor. The money will be taken and deposited to the bank that same day. A deposit analysis will be made in SFO to deposit the funds to the corresponding IAF accounts.</p>	<p>Money collected for any field trip after the date of the audit. November 30, 2016, will follow this resolution.</p>	<p>The date on form 280-34 will match the date on the bank deposit slip and on the SFO deposit analysis</p>
<p>Independent Activity Funds: Purchasing Invoices need to be labeled paid before a check of reimbursement is created.</p>	<p>Prior to making any purchase, each staff will submit form 280-54 to the principal who will approve or reject the purchase. After the request of purchase is approved, the staff member will buy the items or order them online and bring the invoice or receipt to the administrative secretary. After all items have arrived, they will be checked to make sure everything came in. Once it is verified that all items are in, the administrative secretary will create the check of reimbursement and write paid off on the invoice or receipt to avoid double payment.</p>	<p>Any checks of reimbursement made after the audit date of November 30, 2016 will follow this protocol.</p>	<p>All receipts/ invoices of reimbursement will be marked paid off</p>

Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.