


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 1, 2019

MEMORANDUM

To: Mrs. April D. Longest, Principal
Farmland Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2016, through August 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 October 22, 2019, meeting with you; Mrs. Mary T. Howells, former school administrative secretary; and Mrs. Mary G. Ahearn, visiting bookkeeper, we reviewed the status of the conditions described in our prior audit report dated December 7, 2016, and the status of present conditions. It should be noted your appointment as principal was effective July 1, 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

Controls over cash receipts need improvement and MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, must be completed properly. Staff collecting funds were holding them, rather than remitting them timely to the school administrative secretary. Also, the school administrative secretary was not always making timely deposits and was holding money in excess

of permitted amounts. Infrequent deposits increase the possibility of a loss of funds, diminish the schools ability to fund activities, and are contrary to the MCPS Financial Manual. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected must be remitted to the school administrative secretary daily (refer to *MCPS Financial Manual*, chapter 7, pp. 4-5). In addition, funds in excess of cash holding authority (CHA) received by the school administrative secretary must be deposited on the last working day of each month and before each weekend or holiday.

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 6). 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. In our sample of disbursements, prior approval was not consistently obtained and supporting documentation was not always marked paid and/or marked to indicate satisfactory receipt of the goods or services. By requiring prior approval, the principal retains control over the expenditure of IAF funds. MCPS Form 280-54 must be prepared by staff with an estimate of expected expenditure and signed by the principal at the time verbal approval is sought. In addition all support documents must be marked paid, and invoices need to show written indication that goods and services were received in the quantity and quality required.

Sponsors of field trips should have a complete class or club roster of student names and annotate how much each student paid, date paid, students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be remitted to the school administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report. We found not all sponsors are turning in completed data at the conclusion of each trip, and that data is not being compared to the final account history report. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, and provide complete data at the conclusion of each trip. This data must be reconciled by the school administrative secretary with remittances recorded in activity accounts (refer to *MCPS Financial Manual*, chapter 20, page 10).

Summary of Recommendations

- Cash handling process must conform to chapter 7 of the MCPS Finance Manual (**repeat**).
- Controls over purchases must comply with MCPS procedures (**repeat**).
- Sponsors of field trip must submit MCPS Form 280-41, *Field Trip Accounting*, or its equivalent at the conclusion of each trip for reconciliation.

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 Mrs. Michelle E. Schultze, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mrs. Schultze 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:HT:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mr. Koutsos

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Reilly

Mr. Tallur

Mrs. Schultze

Mr. Marella

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2019-2020	Fiscal Year: 2019-2020
School: Farmland ES - 219	Principal: April D. Longest
OSSI Associate Superintendent: James Koustos	OSSI Director: Michelle Schultze
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>Y2016-2019</u>, strategic improvements are required in the following business processes :</p> <p>Controls over cash receipts need improvement and MCPS Form 280-34, IAF Remittance Slip, must be completed properly</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
1. Process and procedures for MCPS Form 280-34 was reviewed with the leadership team and then with staff. Staff were instructed to submit cash to the administrative secretary who will make daily deposits, to include on the last working day of each month and before each month and before each weekend or holiday.	Principal	MCPS Form 280-34 IAF form	MCPS Form 280-34 IAF form Deposit Tickets	Principal and Administrative Secretary	Receipts of funds submitted Bank deposit statements
2. Process and forms were reviewed with staff. Purchase requests must be approved by the principal prior to procurement. MCPS Form 280-54 IAF Request for Purchase, will be filled as specified by the form.	Principal	MCPS Form 280-54 Independent Activity Funds Request for a Purchase	MCPS Form 280-54 Independent Activity Funds Request for a Purchase filled out correctly	Principal and Administrative Secretary	Completed MCPS Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver
3. Process and procedures were reviewed with staff. Sponsors of field trips will provide form MCPS Form 280-41 Field Trip Accounting, which will have complete class or club rosters and note how much each student has paid, to include the date, and any waivers or scholarships for students or reduced fees.	Principal	MCPS Form 280-41 Field Trip Accounting	MCPS Form 280-41 Field Trip Accounting turned in and filled out accurately.	Principal and Administrative Secretary	Completed Form 280-41 and any additional documents relevant to each trip

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

Approved Please revise and resubmit plan by _____

Comments:

Director: *Michelle Selk* Date: 12-11-19