


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 4, 2019

MEMORANDUM

To: Mrs. Gay E. Melnick, Principal
Flower Valley Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2016, through March 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 May 23, 2019, meeting with you; Mr. Duane L. Ross, assistant principal; and Mrs. Helen Velez, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated June 17, 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

Electronic payments made via the Automated Clearing House (ACH) process that transfers funds from a school's IAF bank account to MCPS, 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, *Independent Activity Funds Request for a Purchase*, with a summary spreadsheet detailing the IAF account(s) to be charged, prior to expenditure of funds (refer to *MCPS Financial Manual*,

chapter 20, page 6). We found that the ACH IAF disbursements for MCPS iReceivable invoices had not been reviewed and authorized for payment by the principal. We recommend that you adhere to the MCPS requirements for these disbursements.

Cash and checks collected by sponsors and others for IAF activities should 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 *MCPS Financial Manual*, Chapter 7, pp. 4-5). We found instances where field trip sponsors held fees collected rather than submitting them to the school administrative secretary on a daily basis. In addition, the media center is often holding funds collected, rather than making routine deposits. To minimize the risk of loss, all funds collected should be remitted daily. We recommend that staff be encouraged to submit cash and checks collected for IAF activities to the school administrative secretary for prompt deposit in accordance with MCPS policy and procedures.

Sponsors of field trips should have a complete class 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 that not all sponsors are submitting 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

- ACH disbursements must be documented using MCPS Form 280-54 (**repeat**).
- Cash and checks collected by sponsors must be promptly remitted with MCPS Form 280-34 to the school administrative secretary (**repeat**).
- 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. Sarah E. Sirgo, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Sirgo 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:GWB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Dyson

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Reilly

Dr. Sirgo

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2019	Fiscal Year: 2019
School: Flower Valley ES - 506	Principal: Mrs. Gay Melnick
OSSI Associate Superintendent: Mrs. Cheryl Dyson	OSSI Director: Dr. Sarah Sirgo
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>5/2016-3/31/2019</u>, strategic improvements are required in the following business processes :</p> <p>Fund remittance, field trip accounting, purchase request approval, reimbursements</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
PURCHASE REQUEST APPROVAL: Form 280-54 will be prepared and 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. The invoices for the purchase will be signed and dated by the receiver.	Admin Secretary Principal Sponsors/Staff	Form 280-54 Financial Manual	Completed forms	Principal Preservice, mid year, and spring staff meetings; also in staff handbook	Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver.
DOCUMENTING REIMBURSEMENTS: All supporting documentation 280-54 must be attached with reimbursement check. Once check has been signed, the administrative secretary will stamp original receipt "paid." Documents will be filed with disbursements for the month.	Admin Secretary Principal Sponsors/Staff	280-54 Financial Manual	Completed forms	Principal Preservice, mid year, and spring sta	Completed Form 280-54, with documentation of purchase, and receipt of purchase (stamped as "paid")
REMITTING FUNDS: Cash collected by sponsors will be counted in front of the administrative secretary and documented using form 280-34. Administrative secretary will sign form as documentation of receipt and sponsors will make a copy of the signed form for their records. Cash will be submitted by sponsors on a daily basis.	Admin Secretary Principal Sponsors/Staff	280-34 Financial Manual	Completed forms; monthly bookkeeper meetings	Principal, Admin Secretary, Bookkeeper	Receipts of funds submitted and bank deposit statements.
FIELD TRIPS 1: MCPS Form 280-41 will be used to provide complete rosters & note how much each student has paid, include the date, & any waivers or scholarships for students. Sponsors will check to make sure that the trip account history report matches with the funds they have collected. School Funds Online (SFO) will be implemented	Admin Secretary Principal Sponsors/Staff	280-41	Completed forms; monthly bookkeeper meetings	Principal, Admin Secretary, Bookkeeper	Completed Form 280-41 and any additional documents relevant to each trip. Final balances verify that trip was paid

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
FIELD TRIPS 2 : Sponsors will plan carefully to ensure that they do not overcharge or undercharge for a trip for students. Sponsors to record trip fees and provide complete data at the end of each trip. Trip planning will be reviewed by the administrative secretary and the principal.	Admin Secretary Principal Sponsors/Staff	Field Trip Packet Materials; forms	Completed forms; monthly bookkeeper meetings	Principal, Admin Secretary, Bookkeeper	Completed field trip forms with accurate accounting and reconciliation

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

Approved **Please revise and resubmit plan by _____**

Comments: A new administrative secretary will begin on July 1, 2019 (Padma Radhakrishnan); she will be asked to implement the above strategies.

Director: Janak Suro Date: 6/24/19