


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

March 28, 2019

MEMORANDUM

To: Mrs. Ann B. Dolan Rindner, Principal
Gaithersburg Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2017, through December 31, 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 March 20, 2019, meeting with you; Dr. Sweta Zaks, assistant principal; and Mrs. Tyleen M. Krop, school financial specialist, we reviewed our prior audit report dated May 15, 2017, 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

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain the principal's approval to proceed with an intended purchase. After acquisition, 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 financial specialist. Upon disbursement, the documentation is to be stamped or marked "paid" to preclude duplicate

payment (refer to *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal and receipts were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received. We recommend that the IAF purchases comply with MCPS procedures.

To properly control funds, all cash and checks collected by sponsors for IAF activities should be remitted promptly to the school financial specialist. These funds should then be verified in the presence of the remitter and a receipt, that is supported by MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, should be issued promptly (refer to *MCPS Financial Manual*, chapter 7, page 4). We found instances in which funds were held by sponsors rather than being remitted on a daily basis to the school financial specialist and not always promptly deposited into the school's bank account. To minimize the risk of loss and provide availability of funds to meet school needs, we recommend that all funds collected be remitted daily to the school financial specialist for prompt deposit.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Student Organization Trips*. Trip approval forms should be signed by the principal, and the director of learning, achievement, and administration, when required, and retained for future reference. Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, date paid, eligible students who did not participate in the trip, and students who received waivers, scholarships, or reduced fees. This data, together with a list of all chaperones and volunteers, should be provided to the school financial specialist at the completion of each trip and compared to remittances recorded in the trip account history report. We found that not all sponsors are providing completed data at the conclusion of each trip and that data is not being compared to the final account history report. We recommend that all sponsors be required to use MCPS Form 280-41, *Field Trip Accounting*, or equivalent and follow the procedures outlined above.

Sixth grade students at each middle school in MCPS participate in a three-day, two-night residential outdoor environmental education program (OEEP) for which they are assessed a \$76 fee to reimburse MCPS for the cost of personal expenses associated with the program. Students unable to pay the OEEP fee receive waivers that must be reported to MCPS so that the total amount of the invoice billed to schools is adjusted accordingly. A school also may charge an activity fee in addition to the OEEP fee. If the combined total amount a student can afford to pay for the OEEP fee, plus the school's activity fee, equals \$76 or less, then the entire combined amount received from the student is to be remitted to OEEP (refer to *OEEP Grade 6 Residential Program Handbook and Planning Information*, page 44). We found that the school did not correctly report all funds collected from students who were identified as needing assistance which then resulted in an underpayment to MCPS. We also noted that you collected funds from more students than for whom you were billed, indicating an inaccurate head count. We recommend that you review the procedures for reporting students needing financial assistance with the OEEP sponsor and that the financial assistance forms are reviewed for accuracy before they are submitted. We also recommend that you reconcile your account to determine that all students who paid and attended were properly reported to MCPS.

MCPS Regulation DMB-RA, *Control of Admission Receipts*, sets forth procedures for the control of admission receipts for school events. The accounting for these events must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and a perpetual inventory of tickets (refer to *MCPS Financial Manual*, chapter 20, page 13). We noted that the ticket reports were not prepared for dances. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events for compliance with MCPS Regulation DMB-RA.

Sales of physical education uniforms should comply with the requirements outlined in the *Handbook for the Operation of School Stores*. We noted some weaknesses in the accounting process for the sale of uniforms and in the records of funds collected from students that could not be reconciled to records of sales. To improve controls, we recommend tracking uniform sales on a spreadsheet that can be reconciled with records of account activity. In addition, inventory records should be adjusted for sales, purchases, giveaways, and for garments that are damaged or obsolete. These inventory records should be compared to a physical count performed at least annually. The inventory items should be secured at all times to lessen the likelihood of a loss.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Funds collected by sponsors must be promptly remitted to the school financial specialist (**repeat**).
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the school financial specialist (**repeat**).
- Field trip records that are 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**).
- OEEP sponsor records must correctly report funds collected and waivers granted for all participating students.
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.
- Physical education uniform sale and inventory processes should comply with the requirements outlined in the *Handbook for the Operation of School Stores*.

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. Adrienne L. Morrow, director of learning, achievement, and administration, Office of School Support and

Improvement. Based on the audit recommendations, Dr. Morrow 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 financial specialist to support you with developing a well-defined plan to address the findings.

RWP:AMB:ish

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Dr. Williams

Mrs. Camp

Mrs. Chen

Ms. Diamond

Dr. Morrow

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 4/25/19	Fiscal Year: 4/25/19
School: Gaithersburg MS - 554	Principal: Ann Dolan
OSSI Associate Superintendent: Dr. Williams	OSSI Director: Dr. Adrienne L. Morrow
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>4/1/17-12/21/18</u>, strategic improvements are required in the following business processes :</p> <p>***NOTE: Coressa Holt was the Financial Specialist for this Audit Period.***</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Staff will be reminded that MCPS 280-54 "request for purchase" must be approved first by the principal (sponsor purchases under \$50.00 are pre-approved). Packing slips will be dated and marked received and invoice/receipts will be stamped paid when checks issued.	Financial Specialist Sponsors Principal	Refresher on procedures for staff/sponsors	Monthly IAF Reconciliation Report Financial Manual	Principal Financial Specialist	FY-19 and forward will show evidence of improvement and proper use of MCPS form 280-54
Staff will be reminded to make deposits as early in the day as possible so that funds can be verified and receipt issued.	Financial Specialist Sponsors	IAF Procedures for Sponsors	Monthly IAF reconciliation Report	Principal and Financial Specialist will remind Sponsors, monthly	FY-19 and forward will show evidence of timely deposits of Sponsors. Bank deposits will not be held overnight by Financial Specialist due late deposits.
Sponsors will be providing a complete student roster annotating amount paid, date paid, eligible students who did not participate in trip, student waivers, scholarships or reduced fees. A list of volunteers and chaperones will be provided at the end of Field Trip. Trip will be reconciled using the above data.	Field Trip Sponsors	Field Trip Guidelines	Field Trip Completion Reconciliation	Financial Specialist will review trip reconciliation.	FY-19 and forward will show evidence of continued improvement of reporting by Field Trip Sponsors.
OE fees and the school's OE activity fee will be posted in the appropriate accounts. OE reporting for students will be verified before submitting info. to OE to avoid underpayment/overpayment. OE procedures will be reviewed by Sponsors/Financial Specialist to avoid to error	OE Sponsor	Outdoor Ed Guidelines	Monthly IAF Reconciliation Outdoor Ed Records & Reports	Financial Specialist OE Sponsor	Fy-19 and forward will show improved OE record keeping and reconciliation.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
in calculating of Financial Assistance for students and to ensure accurate student attendance reporting.					
Admission Events will be handled in accordance with MCPS Regulations and the use of required MCPS form 280-50, (tickets and cash report of admission manager).	Financial Specialist Sponsor	MCPS Financial Manual	Monthly IAF Reconciliation Perpetual Inventory Log & Ticket and Cash Report	Sponsor Financial Specialist will oversee process	FY-19 and forward ticket reports will be prepared for all admission events.
PE Uniform sales will be inventoried annually, a spreadsheet will be suggested to control the sales of PE uniforms and submitted with remittance form with each deposit and date. Any damaged clothing, giveaways or obsolete items will be noted with inventory at end of year.	Sponsor	MCPS Handbook for operation of School Stores	Monthly IAF Reconciliation and Sales Spreadsheet	Sponsor Financial Specialist	Fy-19 and forward will show improved inventory controls and records of funds collected.
The inventoried items will be secured at all times.	Sponsor	MCPS Handbook for operation of School Stores	Monthly IAF Reconciliation and Sales Spreadsheet	ponsor Financial Specialist	Fy-19 and forward will show improved inventory controls and records of funds collected.

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

Approved Please revise and resubmit plan by _____

Comments:

Director: Adrienne L. Morrow Date: 6/3/19