

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

October 19, 2016

MEMORANDUM

To: Mr. Daniel K. Tucci, Acting Principal
Garrett Park Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2015, through August 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 October 6, 2016, with you and Mrs. Kelley D. Eiskant, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated June 25, 2015, and the status of present conditions. It should be noted that your appointment as acting principal was effective July 13, 2016. 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. Staff collecting funds were holding, rather than remitting them in a timely manner 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. Large and infrequent deposits increase the possibility of 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 funds will available for use, all funds collected should be remitted to the school administrative secretary daily for prompt deposit to the bank. 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 the 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 were not promptly remitted, as well as other deviations from the 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 Fund (IAF) 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 it must have two signatures, one of which is that of the principal or acting principal. Once again, we found numerous instances in which controls over purchases were weak. We noted the documentation supporting purchases was either not consistently stamped or marked "paid," or not annotated by recipient to indicate goods or services were satisfactorily received. We also noted checks that had not been signed by the principal or acting principal as well as copies of all checks returned from the bank not being retained and filed with the monthly bank statement for the month in which the checks were paid. We recommend action to correct these conditions and bring purchasing into conformity with MCPS requirements (refer to *MCPS Financial Manual*, chapter 20, page 4).

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 or where there is a balance. We found this essential internal control procedure was not being used. We recommend 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 should be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all statements are reviewed and returned (refer to *MCPS Financial Manual*, chapter 20, page 9).

The yearbook sponsor is required to keep detailed records of the number of books sold, the price charged, as well as the number of books distributed free of charge (refer to *MCPS Financial manual*, chapter 20, page 14). The records kept by the yearbook sponsor did not enable us to reconcile the number of books purchased with the number sold, given free, and the remaining inventory. Therefore, we were unable to determine that all funds generated from this activity

had been remitted. We recommend that the yearbook sponsor be counseled and assisted with the recordkeeping required for this activity.

We were unable to determine whether field trips were conducted in accordance with the requirements of MCPS regulations and the *MCPS financial Manual* because records pertaining to field trips in the school year ending June 30, 2016, could not be located. Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field trips and Student Organization Trips*. We recommend accounting for field trips be in accordance with chapter 20, page 10 of the *MCPS Finance Manual*.

Summary of Recommendations

- Cash handling process must conform to chapter 7 of the *MCPS Finance Manual (repeat)*.
- Controls over purchasing must comply with MCPS procedures.
- Sponsors of school activities must be given a monthly account history report **(repeat)**.
- Yearbook sponsor must keep a detailed record of yearbook sales.
- Field trips must be conducted in accordance with MCPS regulations **(repeat)**.

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

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Dr. Johnson

Mr. Civin

Dr. Kimball

Mrs. Camp

Mrs. Chen

Mrs. DeGraba

Ms. Diamond

Dr. Sirgo

Mr. Ikheloa

Fiscal Management Action Plan

Attachment

School: Garrett Park Elementary School
Approved by Director of School Support and Improvement:

[Signature]

Principal: Dan Tucci
Date of approval:

11/14/16

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Cash handling process must conform to chapter 7 of the MCPS Finance Manual	Staff will remit funds to administrative secretary on a daily basis. Cash and checks 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. Administrative secretary will make daily deposits.	Daily sponsor submission of funds Immediate receipt of funds (signature and signed copy of form) Deposits daily as needed.	Receipts of funds submitted and bank deposit statements.
Controls over purchasing must comply with MCPS procedures	Person Responsible: Administrative secretary, sponsors When verbal approval is sought from the principal, 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. Staff members who do not secure advance approval, will not receive reimbursement for purchases. 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.	As needed	Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver and stamped as "paid"
Sponsors of school activities must be given a monthly account history report	Person(s) Responsible: Administrative secretary, principal, staff requesting purchase The administrative secretary will provide sponsors with a monthly statement of their accounts and they will verify the transactions, and that they are accurate. The administrative secretary will send an email to sponsors requesting their signature on the statement. After resolution of any discrepancies, the statements will be signed and dated by the sponsors and kept on file. The administrative secretary will organize monthly statements in a binder that will be stored on the shelf adjacent to her desk. Person(s) Responsible: Bookkeeper, administrative secretary and account sponsors.	Once per month	Signed account history reports

Yearbook sponsor must keep a detailed record of yearbook sales.	The yearbook sponsor will keep a detailed record of books ordered and received including books sold at specific prices and any giveaways and books returned to the vendor for credit and the number of unsold books remaining. The sponsor will prepare 281-25 to be reviewed by the administrative secretary and principal at fiscal year-end.	By the end of student school year	Completed form 281-25 and a copy of the sponsors detailed records
Fields trips must be conducted in accordance with MCPS regulations	<p>Person(s) Responsible: Yearbook sponsor, administrative secretary, principal</p> <p>Field Trip Planning, Funds, and Accounting: Trip planning will be reviewed by the administrative secretary and the principal to ensure that fees are appropriate. 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. At the completion of the trip, sponsors will check to make sure that the trip account history report matches with the funds they have collected. 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. The administrative secretary will keep all supporting documentation for each field trip organized.</p> <p>Person(s) Responsible: Administrative secretary, Teachers, sponsors, principal</p>	As needed	<p>Completed field trip calculator</p> <p>Completed Form 280-41 and any additional documents relevant to each trip.</p> <p>Final balances verify that trip expense was appropriately calculated.</p>

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