MEMORANDUM

To: Ms. Amy D. Bryant, Principal
   Germantown Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period
          January 1, 2013, through March 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 IAFs are administered in accordance with MCPS policies, regulations, and procedures.

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 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 May 26, 2016, with you, and Mrs. Debra Spigler, administrative secretary, we reviewed the status of our prior audit report dated February 21, 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

MCPS Form 280-54, Request for a Purchase, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-4). 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. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt, and upon disbursement stamped or marked “Paid.” In our sample of disbursements, we found prior approval was not consistently obtained, and invoices were not signed by the receiver. By requiring written prior approval, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff with an estimate of expenditure amount and signed by you at the time verbal approval is sought.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS Purchasing Card Users Guide. By the fifth of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements must be printed and provided to the principal, with all purchase receipts and invoices attached. The principal must review each cardholder’s transactions and approve them by the tenth of the following month, using the online reconciliation program. We found that some cardholders had not promptly reviewed their transactions in the online reconciliation program. We also found that the principal had not approved all transactions online. Action is needed to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the administrative secretary with MCPS Form 280-34, IAF Remittance Slip, on the same day they are received to minimize the risk of loss or theft. The funds should be verified in the presence of the remitter, and a receipt should be issued promptly. In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and either place the sealed envelope in the business office safe or receive written acknowledgement that it was provided to the administrative secretary. Verification of these funds will be conducted in the presence of the remitter as soon as possible thereafter. We found that some sponsors were holding funds collected rather than remitting them to the administrative secretary on a daily basis. Remittances were not always promptly deposited into the school’s bank account. Also, there was no process for securing funds when the administrative secretary was unable to verify them. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual, pp. 7-3, 7-4. To reduce the workload of using cash handling requirements for sponsors and administrative secretary, we further recommend using Online School Payment (OSP).

The review of field trip activities revealed that not all field trip sponsors are providing completed financial information to the administrative secretary at the completion of a trip. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41, Field Trip Accounting, or equivalent, and submit the data to the administrative secretary when a trip is completed (see MCPS Financial Manual, p. 20-9). The record of names of participants and funds collected strengthens internal controls by enabling the reconciliation of receipts to entries recorded in the field trip account. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above.
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;
- Purchase card activity must comply with the MCPS Purchasing Card User's Guide;
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the administrative secretary;
- Funds remitted must be promptly deposited in the bank by the administrative secretary;
- Cash handling by sponsors and administrative secretary can be reduced using OSP; and
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with cost of the trip.

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 office within 30 days of this report, with a copy to Mr. Greg Edmundson, director of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:AMB:sd

Copy to:
Dr. Zuckerman
Dr. Statham
Dr. Navarro
Dr. Kimball
Mrs. Chen
Mrs. DeGraba
Mr. Edmundson
Mrs. Milwit
MEMORANDUM

To: Roger W. Pisha, Supervisor
   Internal Audit

From: Amy D. Bryant, Principal

Subject: Audit Response

Attached you will find the Fiscal Action Plan which outlines my response to the findings and recommendations of the audit completed at Germantown Elementary School on May 19, 2016. We appreciate the feedback and look forward to the opportunity to refine our procedures related to fiscal management.

ADB: adb

Copy to: Chery Smith
# Fiscal Management Action Plan

**School:** Germantown Elementary School  
**Principal:** Amy D. Bryant  
**Approved by Director:**  
**Date of approval:**

### Findings and Recommendations of School's Financial Report

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| **Purchase requests must be approved by the principal prior to procurement**  
Purchase have always been pre-approved (via email and/or verbally). Reinforcement for staff to complete the pre-approval form #280-54 before any item can be ordered has occurred and will be included in future staff newsletters as reminders. When the Principal approves a purchase via email, she now copies the Admin Secretary on the approval email who then gives the approval form to the staff member to complete and turn in before making purchases. The principal also has the approval forms housed in her office for immediate completion.  
Persons responsible: Administrative Secretary, Principal and account sponsors. | June 1, 2016 | Copies of completed 280-54 forms with preapproval signatures.  
Email reminder of procedures sent to staff |
| **Purchaser must confirm receipt of goods or services prior to disbursement**  
Newly revised written procedures are being put in place to ensure that staff sign invoices (confirm receipt) prior to a payment being remitted.  
Persons responsible: Administrative Secretary and account sponsors. | July 1, 2016 | Updated written procedures for staff handbook. |
| **Purchase card activity must comply with the MCPS Purchasing Card User's Guide**  
All card users will be trained to review their transactions online. Reconciliation of monthly statements will be completed within 5 working days of the statement notification each month*. The monthly reports, with receipts attached, will be submitted to the principal for approval.  
Principal has now been trained to review each cardholder's transactions and approve them by the 10th of the following month. The monthly approval date will be set as a reminder on Outlook.  
*Statement notifications have not been received at this time. Will communicate with JP Morgan to rectify.  
Persons responsible: Principal, Administrative Secretary and account sponsors. | Between June 1 – July 1, 2016 | Approval has been timely once staff were trained. |
## Fiscal Management Action Plan

**School:** Germantown Elementary School  
**Principal:** Amy D. Bryant  
**Approved by Director:** [Signature]  
**Date of approval:** [Signature]  

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| Funds remitted must be promptly deposited in the bank by the Administrative Secretary | Administrative Secretary will make daily deposits (if needed).  
Persons responsible: Administrative Secretary and Principal | Beginning June 1, 2016 | Bank deposit statements |
| Cash handling by sponsors and administrative secretary can be reduced by using OSP | Administrative Secretary is signed up for PDO class for beginners July 14th so that we can implement this system.  
Person responsible: Administrative Secretary | August/September 2016 | Implementation of new program for FY17 |
| Field Trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate and to reconcile funds collected with cost of the trip. | Procedures were re-introduced and enforced shortly before the audit. New written instructions were introduced to staff and will be reviewed during pre-service 2016 for all staff. Typed procedures are placed in the Staff Handbook and will be updated for the FY17 school year.  
Persons responsible: Administrative Secretary and Principal | May, 2016 | Field trip log sheets |
| Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the Admin Secretary | Cash collected by sponsors has been and will be counted in front of the Administrative Secretary and documented using Form 280-34 (during specific low-traffic hours). The Administrative Secretary gives signed receipts at that time. When staff have come during high traffic hours, they've submitted monies within a tamper-proof, sealed and signed envelope for counting/verifying at a later time. Cash has been submitted by sponsors on a daily basis.  
The Admin Secretary has enrolled in the OSP (On-line School Purchases) class for Beginners (July 2016) in order for parents to remit payments on-line. This will reduce the amount of cash sponsor/teachers are handling.  
Persons responsible: Administrative Secretary and account sponsors. | June 1, 2016 | Receipt of funds submitted |