MEMORANDUM

To: Mrs. Amy D. Bryan, Principal
   Germantown Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
      April 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 April 23, 2019, meeting with you; Mrs. Carolynn Walsleben, principal intern; Ms. Judith A. Starlings, school administrative secretary; and Mrs. Mary J. Phillips, visiting bookkeeper, we reviewed the status of the conditions described in our prior audit report dated June 6, 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

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 in their accounts, or their accounts have a current balance, and be required to verify that transactions have been correctly recorded (refer to MCPS Financial Manual, chapter 20, page 10). We found some sponsors did not
return these statements. We recommend a procedure be established to ensure that sponsors be required to review and resolve any discrepancies in their accounts and return the signed statements to the school administrative secretary.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the school administrative secretary with a remittance slip. Cash should be counted in the presence of the remitter and a receipt that is supported by the remittance slip should be issued promptly. 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 that staff were not always remitting funds on a daily basis to the school administrative secretary and remitted funds were not always promptly deposited. To minimize the risk of loss, we recommend that all funds collected be remitted daily and deposited in accordance with MCPS policy and procedures.

The Handbook for the Operation of School Stores provides instruction and guidance for the operation of MCPS school stores, including internal controls over cash. We found required controls were not in place. Sales transactions were being tracked by the sponsor, but this information was not provided to the school administrative secretary with deposits. We also noted that the sponsor had a change fund, but this amount was generated from sales rather than issued and recorded in the school’s IAF. We noted that the sponsor was only remitting funds occasionally and was not remitting all funds that had been collected. We recommend that a change fund be properly established and that sales be remitted at least weekly together with daily sales records.

Summary of Recommendations

- Sponsors of school activities must be required to review their account history reports and certify their accuracy.
- Cash and checks collected by sponsors must be promptly remitted to the school administrative secretary (repeat).
- Cash and checks (funds) remitted by sponsors must be promptly receipted and deposited in the bank by the school administrative secretary (repeat).
- School store must establish a change fund in school’s IAF and remit funds weekly.

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
administrative secretary to support you with developing a well-defined plan to address the findings.

RWP:MJB:lsh

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. Reilly
   Mr. Tallur
   Ms. Webb
# FINANCIAL MANAGEMENT ACTION PLAN

<table>
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<tr>
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<th>Person(s) Responsible</th>
<th>Resources Needed</th>
<th>Monitoring Tools / Data Points</th>
<th>Monitoring: Who &amp; When</th>
<th>Results/Evidence</th>
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<tr>
<td>Admin Secretary prints a trial balance at time of printing sponsor reports to be kept in folder with reviewed sponsor reports that have been returned. The bookkeeper will review those returned at following month's visit. Delinquent sponsors will get an email reminder with Administration being ccc'd.</td>
<td>J. Starlings (Admin Secretary) M. Phillips (Bookkeeper)</td>
<td>N/A</td>
<td>Sponsor reports # of delinquent email reminders</td>
<td>Bookkeeper &amp; Administration/ Monthly</td>
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<td>Monies from teachers at the 1st and 2nd lunch periods will be submitted by the end of lunch. Office staff will pick up monies from the classrooms of teachers at the 3rd lunch period to ensure all deposits are prepared in a timely manner.</td>
<td>J. Starlings</td>
<td>N/A</td>
<td>Deposit slips</td>
<td>Administration/ Weekly</td>
<td></td>
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<tr>
<td>The Admin Secretary now makes a deposit daily before taking her lunch break. Any funds received after her bank run are noted on the sponsor’s deposit slip &amp; locked up. We have also purchased a safe with deposit slot &amp; are awaiting MCPS maintenance to bolt down in our office workroom.</td>
<td>J. Starlings purchased</td>
<td>Safe</td>
<td>Daily checklist to document time/date of bank run</td>
<td>Administration/ Weekly</td>
<td></td>
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<td>The school store has established a change fund of $10 that will be deposited at the end of the school year &amp; re-issued the next school year. Deposits will be made every Friday.</td>
<td>J. Burdette, Store Sponsor J. Starlings</td>
<td>N/A</td>
<td>Deposit slips Monthly review of change fund</td>
<td>Administration/ Monthly change fund &amp; deposit slip review</td>
<td></td>
</tr>
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<td>Teachers have been reminded by administration of the importance of submitting cash &amp; checks daily. This was done via (5/27) staff newsletter and verbal sharing at the May 13th ILT meeting. A comprehensive communication is planned for pre-service FY20.</td>
<td>A. Bryan, Principal C. Waldleben, Principal Intern J. Starling</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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