


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

March 31, 2016

MEMORANDUM

To: Dr. Bernard X. James, Principal
Kemp Mill Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2013, through February 29, 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 March 22, 2016, with you and Mrs. Peggy Thompson, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated December 2, 2013, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2015. 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. In our sample of disbursements, we again found prior approval was not obtained when required for many purchases and some checks were signed by the previous principal without the amount being completed. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff, signed and dated by you at the time verbal approval is sought, and that complete documentation be attached to fully explain the reason for the purchase. We further recommend that all information be completed prior to signing checks.

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 prepared their monthly statements, provided their purchase receipts, or 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.

Field trips should be planned with the cost carefully estimated to ensure that funds collected are sufficient to pay all trip expenses. Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, eligible students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be provided to the administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report. We noted the cost of a few field trips was underestimated resulting in an unexpected shortage. We again 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 nor used for planning future trips. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip. We further recommend trip planning be reviewed to ensure established fees are commensurate with trip expenses (see MCPS Financial Manual, p. 20-10).

Controls over cash receipts need improvement. Staff collecting funds were holding rather than remitting them timely to the administrative secretary. Large and infrequent deposits increase the possibility of loss of funds, diminish the school's ability to fund activities, and are contrary to guidelines in the MCPS Financial Manual. To minimize the risk of loss and provide availability of funds to meet school needs, all funds collected should be remitted to the administrative secretary daily for prompt deposit (see MCPS Financial Manual, p. 7-4). To reduce the

workload of cash handling requirements for sponsors and administrative secretary, we further recommend using Online School Payments (OSP).

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (repeat);
- Purchaser must confirm receipt of goods or services prior to disbursement (repeat);
- Checks will not be signed and released by the principal until fully completed;
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*;
- 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);
- Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses (repeat);
- Funds collected by sponsors must be promptly remitted to the administrative secretary; and
- Cash handling by sponsors and administrative secretary can be reduced using OSP.

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. Michael Bayewitz, director of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:SY:sd

Copy to:

Dr. Zuckerman
Dr. Statham
Dr. Navarro
Dr. Kimball
Mr. Bayewitz
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit

Fiscal Management Action Plan 2016

School: Kemp Mill Elementary School
Approved by community superintendent: _____

Principal: Dr. Bernard X. James, Sr.
Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS Purchasing Card Users Guide.	The administrative secretary will no longer carry the card in her personal purse. The principal received the card from the administrative secretary and locked it in the school's safe. The administrative secretary will provide the principal with a report of JP Morgan account activity and receipts by the 5 th day of each month.	Once per month.	Signed and dated statements.
Purchase requests must be approved by the principal prior to procurement.	At the time that verbal approval is sought from the principal, The administrative secretary will ensure 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. The invoices for the purchase will be signed and dated by the receiver.	As needed.	Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver.
Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the administrative secretary and promptly deposited.	Cash collected will be counted in front of the receiver and a receipt will be issued at that time, by the administrative secretary. Cash will be submitted by sponsors on a daily basis, and the administrative secretary will make deposits, to include on the last working day of each month and before each weekend or holiday. The principal will purchase a school safe for temporary storage of funds.	Daily sponsor submission of funds Immediate receipt of funds Deposits daily as needed, last working day of the month, and before holidays and weekends.	Receipts of funds submitted and bank deposit statements.
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 trip.	Sponsors will provide complete class or club rosters and note how much each student has paid, to include the date, and any waivers or scholarships for students. Also, sponsors will include if a student is not attending the trip or activity. Sponsors will also provide this at the completion of the trip and compare remittance recorded to the trip account history report. The data will be used by the sponsors and administrative secretary to plan for future trips. Sponsors will plan carefully to ensure that they do not overcharge or undercharge for a trip for students. Sponsors will use MCPS Form 280-41 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 to ensure that fees are appropriate.	As needed for field trips.	Completed Form 280-41 and any additional documents relevant to each trip.

Controls over cash receipts need improvement	<p>The administrative secretary will establish Online School Payment for Kemp Mill families. The principal will send a letter home to parents requesting that they sign-up for Online School Payments. The parent community coordinator ensured that the OSP system link was uploaded onto the Kemp Mill website. The PTA will be the only entity approved by the principal to sponsor fund raisers.</p>	Immediately	Families will make on-line payments. 100% PTA Sponsored, Principal Approved Fundraisers.
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