MEMORANDUM

To: Mrs. Arienne M. Clark-Harrison, Principal
Montgomery Knolls Elementary School

From: Mary J. Bergstresser, Acting Supervisor, Internal Audit Unit

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2016, through October 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 December 19, 2019, meeting with you; Mrs. Priscilla B. Smith, school administrative secretary; and Ms. Lynn Taylor-Miller, visiting bookkeeper, we reviewed the status of the conditions described in our prior audit report dated July 12, 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

In order to properly control receipts, cash and checks collected by sponsors for IAF activities must be remitted promptly, along with a remittance slip, and intact to the school administrative secretary. Cash must be counted in the presence of the remitter, and a receipt that is supported by the remittance slip must be issued promptly. Cash Holding Authority (CHA) is the amount of funds
a school is authorized to hold on its premises overnight (refer to the MCPS Financial Manual, chapter 7, page 3). Funds received by the school administrative secretary must be deposited promptly and all funds must be deposited on the last working day of each month and before each weekend or holiday. We found instances in which there was a delay in issuance of receipts, school administrative secretary was not always making timely deposits, sponsors were remitting field trip funds when collected, and money was held in excess of permitted amounts. Infrequent deposits increase the possibility of a 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 available funds will be fully utilized to meet school needs, all funds collected must be receipted and deposited promptly (refer to the MCPS Financial Manual, chapter 7, page 5).

Sponsors of field trips must have a complete class or club roster of student names and annotate how much each student paid, date paid, students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data must be remitted to the school administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report. We found not all sponsors are turning in completed data at the conclusion of each trip, and that data is not being compared to the final account history report. Trip sponsors use MCPS Form 280-41, Field Trip Accounting, or its equivalent, and provide complete data at the conclusion of each trip. This data must be reconciled by the school administrative secretary with remittances recorded in activity accounts (refer to the MCPS Financial Manual, chapter 20, page 10).

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 the MCPS Financial Manual, chapter 20, page 13). The records kept by the yearbook sponsors for fiscal years (FYs) 2018 and 2019 did not allow us to reconcile the number of books purchased with the number sold, given free, and the remaining inventory. Therefore, we are unable to determine that all funds generated from this activity had been remitted. The yearbook sponsor must be counseled and assisted with the record-keeping required for this activity.

Notice of Findings and Recommendations

- Cash and checks (funds) remitted by sponsors must be promptly receipted and deposited in the bank by the school administrative secretary.
- 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.
- Yearbook sponsor records must account for the number of books purchased, sold, distributed at no cost, and ending inventory.

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 Mr. Sean P. McGee, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mr. McGee will indicate whether he 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.

MJB:GWB:lsh

Attachment

Copy to:
   Members of the Board of Education
   Dr. Smith
   Dr. McKnight
   Dr. Navarro
   Dr. Statham
   Dr. Zuckerman
   Mr. Civin
   Dr. Johnson
   Mrs. Morris
   Mrs. Camp
   Mrs. Chen
   Ms. Diamond
   Mr. Marella
   Mr. McGee
   Mr. Reilly
   Mr. Tallur
   Ms. Webb
FINANCIAL MANAGEMENT ACTION PLAN

Report Date: January 21, 2020
Fiscal Year: January 21, 2020

School: Montgomery Knolls ES - 776
Principal: Arienne M. Clark-Harrison

OSSI
Associate Superintendent: Scan P. McGee
OSSI
Director: Diane D. Morris

Strategic Improvement Focus:
As noted in the financial audit for the period 7/1/16-10/31/19, strategic improvements are required in the following business processes:

<table>
<thead>
<tr>
<th>Action Steps</th>
<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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</thead>
<tbody>
<tr>
<td>Cash and checks (funds) remitted by sponsors must be promptly received and deposited in the bank by the school administrative secretary</td>
<td>Administrative Secretary, Principal</td>
<td>Consistent schedule</td>
<td>Bank receipts</td>
<td>By principal daily</td>
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<tr>
<td>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.</td>
<td>Teachers, Administrative Secretary</td>
<td>Clerical and financial reminders to staff during PLC and ILLT Meetings</td>
<td>Remittance forms for each field trip</td>
<td>By administrative secretary during the planning of and at the end of each field trip</td>
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<tr>
<td>Yearbook sponsor records must account for the number of books purchased, sold, distributed at no cost, and ending inventory.</td>
<td>Yearbook Sponsor, Administrative Secretary</td>
<td>Data from LifeTouch</td>
<td>Accurate Yearbook Analysis form completed</td>
<td>Principal, administrative secretary, and yearbook sponsor by or before June 30, 2020</td>
<td></td>
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<tr>
<td>Action Steps</td>
<td>Person(s) Responsible</td>
<td>Resources Needed</td>
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**OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL**

☑ Approved  ☐ Please revise and resubmit plan by ____________

Comments:

Director: [Signature]  Date: 1/31/2020