


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

February 19, 2016

MEMORANDUM

To: Ms. Teri D. Johnson, Principal
Lake Seneca Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
February 1, 2012, through December 31, 2015

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 February 19, 2016, with you and Mrs. Deborah Ray, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated April 2, 2012, 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

If a school electronically receives its monthly bank statement, the principal should have access to print the cleared checks and statement for review. The review is documented by a copy of the bank statement signed and dated by the principal. We found that the school had neither received

cleared checks via mail nor printed them using online access for approximately the prior three years. Therefore, cleared checks were unavailable for principal's review in order to identify the payee on any questionable check (see MCPS Financial Manual, p. 20-9). We recommend that the monthly bank statement review include cleared checks.

We noted instances where MCPS Form 280-54, *Request for a Purchase*, was not used when disbursements were made to MCPS. Regardless of the documentation that approved the procurement of goods and services, all check disbursements from a school's IAF will be approved by the principal using MCPS Form 280-54, prior to the expenditure of funds (see MCPS Financial Manual, p. 20-6).

Cash and checks collected by sponsors and others authorized for IAF activities must be remitted with MCPS Form 280-34, *Remittance Slip*, to the administrative secretary on the day they are received. We found instances in which staff collecting funds for field trips were holding rather than remitting them timely to the administrative secretary (see MCPS Financial Manual, p. 7-4). We recommend that all staff who collect funds for school activities be reminded of remittance requirements. To reduce the workload of cash handling requirements for sponsors and administrative secretary, we further recommend using Online School Payments (OSP).

Review of field trip activities revealed that not all 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. The record of names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums 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 (see MCPS Financial Manual, p. 20-10).

Summary of Recommendations

- Monthly bank statement review must include cleared checks;
- Check disbursements must be documented using MCPS Form 280-54;
- Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to 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 costs of the trip.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Mrs. Ray that greatly facilitated our audit. 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. Gregory Edmundson, director of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:GB:sd

Copy to:

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

Fiscal Management Action Plan

School: Lake Seneca Elementary School
 Approved by director: 

Principal: Teri Johnson
 Date of approval: 5-10-16

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Monthly bank statements must include cleared checks that are provided by the administrative secretary.	The administrative secretary will provide the Principal with copies of all checks written on the monthly statement of their accounts. The Principal will review all checks and verify the payee and signatures. After resolution of any discrepancies, the statements will be signed and dated by the Principal and kept on file.	Once per month	Initialed and dated copies of checks Signed and dated statements.
Check disbursements must be documented using MCPS Form 280-54.	Form 280-54 will be prepared by the administrative secretary for all purchases made and approved in FMS. The Principal will sign Form 280-54 to approve any check disbursements to MCPS.	As needed	Completed Form 280-54
Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the administrative secretary.	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.	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. Sponsors will use MCPS Form 280-41 to record trip fees and provide complete data at the end of each trip.	As needed for field trips	Completed Form 280-41 and any additional documents relevant to each trip.

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