MEMORANDUM

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

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

Subject: Report on Audit of Independent Activity Funds for the Period
         January 1, 2016, through December 31, 2018

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 February 13, 2019, meeting with you; Mr. Gary M. Rand, assistant principal;
Mrs. Deborah A. Ray, school administrative secretary; and Ms. Linda Chrisler, visiting
bookkeeper, we reviewed our prior audit report dated February 19, 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

MCPS Form 280-54, Independent Activity Funds Request for a Purchase, is used to obtain the
principal’s approval to proceed with an intended purchase. After acquisition, the purchaser
should submit the invoice or documented evidence of purchase, annotated to indicate the
satisfactory receipt of the goods or services, to the school administrative secretary. Upon
disbursement, the documentation is to be stamped or marked “paid” to preclude duplicate payment (refer to MCPS Financial Manual, chapter 20, page 4). In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal, receipts were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received, and invoices supporting purchases were not stamped or marked “paid.” We recommend that the IAF purchases comply with MCPS procedures.

To properly control funds, all cash and checks collected by sponsors for IAF activities should be remitted promptly to the school administrative secretary. These funds should then be verified in the presence of the remitter and a receipt that is supported by MCPS Form 280-34, Independent Activity Fund (IAF) Remittance Slip, should be issued promptly (refer to MCPS Financial Manual, chapter 7, page 4). We found instances in which funds were held by sponsors, rather than being remitted on a daily basis to the school administrative secretary, and not always promptly deposited into the school’s bank account. To minimize the risk of loss and provide availability of funds to meet school needs, we recommend that all funds collected be remitted daily to the school administrative secretary for prompt deposit.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, Travel-Study Programs, Field Trips, and Student Organization Trips. Trip approval forms should be signed by the principal, and the director of learning, achievement, and administration, when required, and retained for future reference. Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, date paid, eligible students who did not participate in the trip, and students who received waivers, scholarships, or reduced fees. This data, together with a list of all chaperones and volunteers, should be provided to the school administrative secretary at the completion of each trip and compared to remittances recorded in the trip account history report. We 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. We recommend that all sponsors be required to use MCPS Form 280-41, Field Trip Accounting, 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 invoices must be annotated as “paid” to indicate disbursement was made.
- Funds collected by sponsors must be promptly remitted to the school administrative secretary (repeat).
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the school administrative secretary.
- Field trip records that are 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).
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 Mrs. Michelle E. Schultze, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mrs. Schultze 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:AMB:ish

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
  Mr. Reilly
  Mrs. Schultze
  Mr. Tallur
  Ms. Webb
# Financial Management Action Plan

**Report Date:** 2019  
**Fiscal Year:** 2019

**School:** Lake Seneca ES - 108  
**Principal:** Teri Johnson

**OSSS**  
**Associate Superintendent:** Darryl Williams  
**Director:** Michelle Schultze

### Strategic Improvement Focus:
As noted in the financial audit for the period 1/2/16-12/31/18, strategic improvements are required in the following business processes:

- Purchase requests, purchase confirmation receipt of goods, purchase annotation (paid), fund collection, fund verification, and field trip records.

<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>
</tr>
</thead>
</table>
| Purchase requests will be approved prior to procurement. At the time that verbal approval is sought from the principal, 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. | Principal, Assistant Principal | form 280-54 documentation purchase receipts | Principal  
As needed before any purchase | Completed Form 280-54 with dates prior to purchase date. |
| Purchaser will confirm receipt of goods or services before disbursement of funds. | Administrative Secretary  
Principal/Att | Purchase receipts | Admin. Sec.  
Principal/AP  
Prior to disbursement of funds | Documentation verifying purchase (receipts, invoices, packing slips) |
| All purchase invoices will be annotated as "paid" to indicate disbursements were made. | Administrative Secretary  
Principal | Purchase invoices | Principal/AP  
When checks are written for payment | All invoices will be stamped or annotated with "paid" and dated or form |
| Funds collected by sponsors will be promptly remitted intact with MCPS Form 280-34 to the administrative secretary. | Sponsors  
Administrative Secretary | MCPS form 280-34 Duplicate Receipts | Admin. Sec. | Completed MCPS form 280-34 Receipt for funds collected |
<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>
</tr>
</thead>
</table>
| 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 the last working day of each month and before | Sponsors  
Administrative Secretary | Receipts  
Deposit slips/statement | Admin. Sec.  
Daily sponsor submission of funds  
Daily deposits as needed | | Receipts of funds submitted and bank deposit statements. |
| 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 | Field Trip Account History Report | Admin. Sec. will review submitted forms. Forms submitted as needed for each field trip | | Completed Field Trip Account History Report |
| Sponsors will also provide this at the completion of the trip and compare remittance recorded on 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. | Sponsors | Form 280-41 | Admin. Sec.  
As needed for each field trip. | | Completed form 280-41 with pertinent data and any additional documents relevant to each trip |

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL

☐ Approved □ Please revise and resubmit plan by ____________

Comments: ____________________________________________________________

Director: ___________________________ Date: 4/29/19