


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

February 26, 2019

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

<b>Report Date:</b> 2019	<b>Fiscal Year:</b> 2019
<b>School:</b> Lake Seneca ES - 108	<b>Principal:</b> Teri Johnson
<b>OSSI Associate Superintendent:</b> Darryl Williams	<b>OSSI Director:</b> Michelle Schultze
<p><b><u>Strategic Improvement Focus:</u></b>          As noted in the financial audit for the period <u>1/2/16-12/31/18</u>, strategic improvements are required in the following business processes :</p> <p>Purchase requests, purchase confirmation receipt of goods, purchase annotation (paid), fund collection, fund verification, and field trip records.</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
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/AP	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

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
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	
<input checked="" type="checkbox"/> <b>Approved</b>	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments:	
Director: <u>Michelle Schutze</u>	Date: <u>4/29/19</u>