MEMORANDUM

To: Ms. Debra A. Berner, Principal
   Lakewood 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 May 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 July 16, 2019, meeting with you, Mrs. Hyon M. Neff, assistant principal; Mrs. Patricia W. Staines, school administrative secretary; and Mrs. Linda Chrisler, visiting bookkeeper, we reviewed our prior audit report dated July 22, 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 (repeat).
- Purchaser must confirm receipt of goods or services prior to disbursement (repeat).
- Purchase invoices must be annotated as “paid” to indicate disbursement was made (repeat).
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the school administrative secretary (repeat).
- 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. Jennifer L. Webster, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mrs. Webster 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.

MJB:AMB:lish

Attachment

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

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

**School:** Lakewood ES - 209  
**Principal:** Debra A. Berner

**OSSI**  
**Associate Superintendent:** Diane Morris  
**OSSI Director:** Jennifer Webster

**Strategic Improvement Focus:**
As noted in the financial audit for the period 2016-2019, strategic improvements are required in the following business processes:
- Purchase requests; purchaser confirmation of goods received; purchase invoices annotated as "paid"; remitted funds properly deposited; 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>
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</table>
| 1. Purchase Requests must be approved by the principal prior to procurement. School administrative secretary will submit a 280-54 form for principal signature prior to writing a check to pay vendors and/or MCPS. Staff will continue to be informed and monitored regarding this protocol. | Administrative Secretary  
Principal | N/A | At monthly bank reconciliation with bookkeeper | Principal  
Bookkeeper  
Administrative Secretary | |
| 2. Purchaser must confirm receipt of goods or services prior to disbursement. A copy of the invoice will be made available for the staff member to check and then sign that they received their items. Staff will continue to be informed and monitored regarding this protocol. | Administrative Secretary  
Recipient of goods | N/A | At monthly bank reconciliation with bookkeeper | Principal  
Bookkeeper  
Administrative Secretary | |
| 3. Purchase invoices must be annotated as "paid" to indicate disbursement was made. Administrative Secretary will continue the practice of stamping "Paid" on completed invoices. | Administrative Secretary | N/A | At monthly bank reconciliation with bookkeeper | Principal  
Bookkeeper  
Administrative Secretary | |
| 4. Remitted funds must be properly verified, receipted, and deposited in the bank by the school administrative secretary. Office staff will establish a time of day for funds to be collected; staff will continue to be informed and monitored regarding this protocol. | Administrative Secretary  
Principal  
School staff members | N/A | At monthly bank reconciliation with bookkeeper | Principal  
Bookkeeper  
Administrative Secretary | |
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<tbody>
<tr>
<td>5. Field trip records must provide comprehensive data to account for all students eligible to participate and to reconcile funds collected with costs of the trip. Continued use of the reconciliation form. Staff will receive updated training during preservice/2nd semester.</td>
<td>Administrative Secretary</td>
<td>N/A</td>
<td>At monthly bank reconciliation with bookkeeper</td>
<td>Principal Bookkeeper</td>
<td></td>
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<td>School staff sponsors</td>
<td></td>
<td></td>
<td>Administrative Secretary</td>
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<td>Principal</td>
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<td>The auditor suggested that the Administrative Secretary and Principal attend a refresher finance course. We are currently checking for available days/times.</td>
<td>Administrative Secretary</td>
<td>Course availability on PDO</td>
<td>Date of course completion</td>
<td>N/A</td>
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<td></td>
<td>Principal</td>
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**OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL**

☐ Approved          ☐ Please revise and resubmit plan by _______________

Comments: ____________________________________________

Director: ___________________________ Date: 8/21/19