


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

September 14, 2015

MEMORANDUM

To: Mr. Shawn D. Miller, Principal
Little Bennett Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
August 1, 2011, through May 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 July 16, 2015 with you, and Mrs. Maria Smith, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated October 3, 2011, 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, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-4). The purpose of each disbursement must be fully explained on this form in order to properly record expenditures in appropriate accounts and to ensure that expenditures comply with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, we again found prior approval was not consistently obtained, and invoices were not always signed by the receiver. By requiring prior approval, the principal retains control over the expenditure of IAF funds.

We recommend that Form 280-54 be prepared by staff and signed by the principal at the time verbal approval is sought. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining your approval at the beginning of the school year. These budgets should be monitored by your administrative secretary and revised if necessary.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the school administrative secretary with a remittance slip on the same day they are received to minimize the risk of loss or theft. The funds should be verified in the presence of the remitter, and a receipt should be issued promptly. In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and either place the sealed envelope in the business office safe or receive written acknowledgement that it was provided to the school administrative secretary. Verification of these funds will be conducted in the presence of the remitter as soon as possible thereafter. We found that some sponsors were holding funds collected rather than remitting them to the school administrative secretary on a daily basis. Also, there was no process for securing funds when the school administrative secretary was unable to verify them. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual, pp. 7-3, 7-4.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (repeat); and
- Funds collected by sponsors must be promptly remitted to the financial agent.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff. 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 Dr. LaVerne G. Kimball, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

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

Fiscal Management Action Plan

School: Little Bennett Elementary School

Principal: Shawn D. Miller

Director of Elementary Schools: Mr. Gregory S. Edmundson

Date of approval: 10/9/15

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Review of disbursements found that many were not pre-approved and invoices were not marked to indicate items were received satisfactorily. Some 280-54's were signed by the assistant principal without delegation. We found some items ordered on line were shipped to staff member home and some payments were made from packing slips or order summary instead of actual invoice or receipts.</p>	<p>Mrs. Smith and Mr. Miller have recommended that when staff request verbal approval to make a purchase that they are required to fill out a 280-54 with an estimate and have Mr. Miller sign it at that time. We will work with some staff members on monthly or yearly budgets. Mrs. Smith will only pay off invoices and receipts for future purchases. Invoices and receipts will be marked paid with check information, date, and amount. The findings of the audit report were discussed at the staff pre-service meetings in August.</p>	<p>August 2015 - as needed</p>	<p>Mrs. Smith has been reminding staff of this procedure per the audit findings. Completed form 280-54 with documentation of purchase, and receipt of purchase, signed by receiver.</p>
<p>Review of receipts found that staff was holding funds at times instead of remitting on the day funds were received. Also noted, there was no process to secure funds remitted when Admin. Secretary was unable to count funds in presence of remitter. We noted that media center made large deposit at end of the school year.</p>	<p>Staff has been reminded that funds collected need to be remitted the same day received. If Mrs. Smith is unable to count funds, they will be secured in an envelope and placed in the school safe, recently purchased. Mr. Miller and Mrs. Smith have discussed this information.</p>	<p>August 2015 - Receipting and deposits are made on a daily basis as needed.</p>	<p>Mrs. Smith has been collecting, receipting, and depositing funds on a daily basis. Staff is submitting their funds in a timely manner.</p>

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