

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

October 4, 2016

MEMORANDUM

To: Ms. Natasha Bolden, Principal
Mill Creek Towne Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
February 1, 2014 through August 31, 2016

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 the IAFs are administered in accordance with MCPS policies, regulations, and procedures.

The 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 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 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 September 29, 2016, with you, Ms. Cassandra Heifetz, assistant principal, and Mrs. Maria E. Young, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated March 20, 2014, and the status of present conditions. It should be noted that your appointment as principal was effective July 15, 2015. 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

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account history report for each month in which transactions have been recorded in their accounts and be required to verify that transactions have been correctly recorded. Although these

monthly reports were being distributed, we found that sponsors were not returning them to the school administrative secretary to indicate their review. We recommend sponsors be required to review their respective account history report, resolve any discrepancies in their accounts, and return the signed statements to indicate their review to the school administrative secretary (refer to *MCPS Financial Manual*, chapter 20, page 9).

If an error is discovered after a receipt has been written, the receipt should be marked "void" and a replacement issued. There shall be no erasure or alteration made to the face of the receipt. Any receipt with a printing error should be entered into the accounting system, School Funds Online, and all parts of the voided receipt form should be defaced and retained. We found that rather than voiding receipts in the general ledger, the school administrative secretary sometimes altered the transaction number and reprinted the receipt on paper. In addition, voided receipts were not kept intact so that both parts of receipts could not always be found. We recommend that receipts written in error be properly voided in accordance with *MCPS Financial Manual*, chapter 7, page 4.

Prior to disbursement of the IAFs, the purchaser must indicate on the invoice satisfactory receipt of the goods or services. Upon disbursement, the school administrative secretary will stamp or mark the supporting documentation as "paid." In our random sample of disbursements, we noted that invoices were not always signed and dated to indicate receipt. We further noted that documentation supporting purchases were not being stamped "paid" upon issuance of the check. The purchaser is to ensure that the goods were received in the correct quantity and quality, and services were satisfactorily performed prior to payment. The school administrative secretary is to ensure that a duplicate payment is not made for the same goods or services. We recommend that invoices be signed and dated by the receiver to indicate satisfactory receipt of goods or services and that the documentation be stamped or marked "paid" upon issuance of the check (refer to *MCPS Financial Manual*, chapter 20, page 6).

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card Users Guide*. By the fifth of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements must be printed and provided to the principal, with all purchase receipts and invoices attached. The principal must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. Although transactions had been reviewed by cardholders and approved online by the principal, we found that cardholders had not promptly prepared their monthly statements nor provided their purchase receipts to the principal for review. We recommend purchasing card documentation conform to MCPS requirements.

Review of field trip activities revealed that although sponsors are providing cost and fee information as funds are collected and remitted, not all field trip sponsors are providing comprehensive financial information to the school administrative secretary at the completion of a trip. Sponsors of field trips should have a complete class or club roster of student names and annotate how much each student paid, students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be submitted to the school administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report. The record of the names of participants and sums collected

provides assurance that all field trip fees have been remitted. We recommend all sponsors be required to use MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and follow the procedures outlined above (refer to *MCPS Financial Manual*, chapter 20, page 10).

To reduce the workload of cash handling requirements for sponsors and the school administrative secretary, we further recommend using the Online School Payments (OSP).

Summary of Recommendations

- Monthly account history reports provided to sponsors must be affirmed for transaction correctness and returned to the school administrative secretary (**repeat**).
- Receipts that are voided must be defaced and retained.
- Purchase invoices should be marked "received", signed, and dated by the receiver to indicate satisfactory receipt of goods or services.
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made (**repeat**).
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*.
- 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.
- Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses.
- Cash handling by sponsors and school administrative secretary can be reduced using the OSP.

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 Unit within 30 calendar days of this report, with a copy to Dr. Sarah E. Sirgo, director of school support and improvement of elementary schools. In your response, please share a detailed plan for addressing these issues including appropriate staff training and support. The Office of School Support and Improvement will follow up on this audit.

RWP:SMY:lsH

Copy to:

Members of the Board of Education
Dr. Smith
Dr. Navarro
Dr. Statham
Dr. Zuckerman
Dr. Johnson
Mr. Civil
Dr. Kimball

Mrs. Camp
Mrs. Chen
Ms. Diamond
Dr. Sirgo
Mr. Ikheloa

Fiscal Management Action Plan

School: Mill Creek Towne Elementary

Principal: Natasha D. Bolden

Date of approval: 11/1/2016Approved by Director of School Support and Improvement: 

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Monthly Sponsor Reports Monthly account history reports must be returned to the administrative secretary.	Sponsors will review their respective account history reports, resolve any discrepancies in their accounts, and return the signed statements to indicate their review to the school administrative secretary. The administrative secretary will send an email to sponsors requesting their signature and use a color coded system to organize and track statements. Person(s) Responsible: Visiting bookkeeper, Administrative Secretary and Account Sponsors.	Monthly for current activities	Signed and dated statements will be organized and filed monthly in the IAF fiscal year binder
Documenting Receipts Written in error. Receipts written in error or altered should be marked "void" and a replacement issued. The school administrative secretary sometimes altered the transaction number and reprinted the receipt on paper. In addition, voided receipts were not kept intact.	The administrative secretary will reprint receipts on receipt stock whenever an error is discovered. In the event of printer or computer errors a note will be made explaining the necessity of hand writing the receipt. The receipt will be marked "void" when a replacement is issued and both parts of receipts will be kept intact. Person(s) Responsible: Administrative Secretary	Monthly as funds are received	Voided receipts documented and intact with both parts filed within the respective monthly SFO transactions.
Invoices Supporting Disbursements Documentation supporting purchases were not being stamped "paid" upon issuance of the check, signed and dated to indicate receipt.	The school administrative secretary will indicate on the invoice satisfactory receipt of the goods or services and will stamp or mark the supporting documentation as "paid" with signature and date. Person(s) Responsible: Administrative Secretary	Upon receipt effective immediately	Invoices supporting disbursements will be marked "paid" with signature and date and filed within the respective monthly SFO transactions.
Purchasing Cardholders Monthly Statements Provided to Principal for Review Cardholders had not promptly prepared their monthly statements nor provided their purchase receipts to the principal for review.	In addition to reviewing and approving transactions online by cardholders and the principal, cardholders will provide prompt monthly statements with receipts to the principal for review. Person(s) responsible: Purchase cardholders, Principal	Monthly	All purchase card documentation will be reviewed, signed, organized and kept in the school's fiscal year purchase card binder.

<p>Incomplete Field Trip Comprehensive Financial Reporting From Field Trip Sponsors</p> <p>Sponsors are providing cost and fee information as funds are collected and remitted, however, not all field trip sponsors are providing comprehensive financial information to the school administrative secretary at the completion of a trip.</p>	<p>All field trip sponsors will submit a complete accounting of the trip including the names of participants, money collected, and reconciliation of funds to include detailed information of how much each student paid, students who didn't participate in the trip, and students who received waivers, scholarships or reduced fees. Emails will be sent to sponsors at the end of each trip requesting a complete accounting.</p> <p>Person(s) Responsible: Administrative Secretary, Field Trip Sponsors, Principal</p>	<p>Email sent my principal within three days following the field trip</p> <p>Sponsor report - monthly</p>	<p>MCPS Form 280-41, Field Trip Accounting</p>
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Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.