


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

January 17, 2019

MEMORANDUM

To: Mr. Cabell W. Lloyd, Principal
Meadow Hall Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
February 1, 2016, through November 30, 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 January 3, 2019 meeting with you and Mrs. Loida Alonzo Sosa, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated March 31, 2016, and the status of present conditions. It should be noted that Ms. Alonzo Sosa was appointed to her position on January 2, 2019. 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

The management of IAF must be in accordance with good business practices that include sound accounting and internal control procedures. All checks will be completed with date, payee, and amount prior to any signature. No checks should be signed in advance of these completed items (refer to *MCPS Financial Manual*, chapter 20, page 6). We noted that staff did not have adequate

procedures in place for proper control and oversight of IAF because we found a few voided blank checks had been signed. We recommend that all checks be completed with date, payee, and amount prior to the principal's signature on them.

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (refer to *MCPS Financial Manual*, chapter 20, page 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. In our sample of disbursements, we found that prior approval was not consistently obtained, sponsors were frequently completing MCPS Form 280-54, but not waiting for the principal to approve it prior to making their purchases, and MCPS Form 280-54 was not always prepared to pay MCPS iReceivables. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that MCPS Form 280-54 be prepared by staff and signed by the principal prior to making purchases and that MCPS Form 280-54 be prepared prior to paying MCPS via iReceivables.

Independent contractors or consultants working in schools and must comply with all laws and MCPS requirements set forth in the *Procurement Manual*. MCPS Form 280-49a, *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF)*, is used to document authorization/approval for all consultant/independent contractor services paid with IAF. We found that this form had not been completed for all payments to independent contractors during our audit period. We recommend that the project manager initiate MCPS Form 280-49a to document the authorization and approval to pay a consultant/independent contractor with IAF (refer to *MCPS Financial Manual*, chapter 15, page 2).

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card User's Guide*. By the fifth business day 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. The principal's card transactions are to be reviewed and approved by the respective director of elementary schools. We found that purchase receipts and invoices were not consistently attached to the purchase card statements. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, to the school administrative secretary on the day the funds are received. During our review of receipts, we found that although sponsors were completing a remittance slip for the funds collected from students, the school administrative secretary was not retaining the remittance slips with the deposit packets. The school administrative secretary was attaching the sponsor's receipt to the remittance slip and returning both to the sponsor. Some remittance slips were later returned to the school administrative secretary as part of the field trip accounting package. We found that some of these were altered and marked "change given," but the changes were not initialed by the person

submitting the funds. MCPS form 280-34 is required for student fees because it identifies the source and purpose of remittances and helps ensure that fees collected have been properly authorized. We recommend that the school administrative secretary retain the remittance slips, require that all changes be initialed by the sponsor prior to accepting funds, and file the remittance slips together with office copies of the receipts and the bank deposit receipt to complete the deposit packet (refer to *MCPS Financial Manual*, chapter 7, pp 4-5).

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Student Organization Trips*. Trip approval forms signed by the principal, and the director of school support and improvement, when required, should be retained. 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 (refer to *MCPS Financial Manual*, chapter 20, page 10). 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.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. Although the sponsors are submitting fund-raiser request forms, most of them were not properly completed so that results could be evaluated. No completion reports were prepared for any of the reviewed fund-raisers. We recommend that you follow completion report procedures to provide for accountability of funds raised, as well as the opportunity to evaluate the results at the conclusion of the event.

MCPS Regulation DMB-RA, *Control of Admission Receipts*, sets forth procedures for the control of admission receipts for school events. The accounting for these events must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and perpetual inventory of tickets (refer to *MCPS Financial Manual*, chapter 20, page 13). We noted an admission event in which an entrance fee was charged, but no tickets were used. We recommend that procedures for admission events be reviewed with appropriate staff prior to events for compliance with the above cited MCPS requirements.

Summary of Recommendations

- Checks will not be signed and released by the principal until fully completed.
- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- MCPS Form 280-49a must be used to authorize consultant/independent contractor payments with IAF.
- Purchase card transactions must be documented, reviewed, and approved by the principal.

- MCPS Form 280-34 must accompany every remittance and filed in accordance with chapter 7 of the *MCPS Financial Manual*.
- 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 (**repeat**).
- Fund-raiser completion reports must be prepared by the sponsor for review by the principal.
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

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 Dr. Sarah E. Sirgo, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Sirgo 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:SMY:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Dyson

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Reilly

Dr. Sirgo

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2/5/2019	Fiscal Year: 2/5/2019
School: Meadow Hall ES - 212	Principal: Mr. Cabell Lloyd
OSSI Associate Superintendent: Dr. Cheryl Dyson	OSSI Director: Dr. Sarah Sirgo
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>2/1/16 - 11/30/18</u>, strategic improvements are required in the following business processes :</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchase requests must be approved by the principal prior to procurement. Any requests for reimbursement not previously approved will not be reimbursed	Principal Administrative Secretary (AS)	Form 280-54 Purchase documentation	Requester must present Form 280-54 at time approval is sought	Principal and AS will meet weekly to review all requests; monthly book keeper meetings	Completed form 280-54 with documentation of purchase
Independent contractor payments must comply with MCPS Regulation DIA-RB; all consultants/independent contractors must complete form 280-49a prior to working and being paid	Principal Administrative Secretary	Form 280-49a	Requester must present for 280-49a prior to the event being held or service being provided	Principal and AS prior to the event being held or service being provided	Completed for 280-49a with approval of event/service request
Purchase card holders must review purchases online, attach original receipts to the landscape purchase card statement, sign the statement, and submit to principal for review	Principal Administrative Secretary Purchase Card Holders (PCH)	Online landscape purchase card statements; original receipts	PCH must submit landscape purchase card statements w/ original receipts to AS monthly; AS then submits statements to principal for review	Principal and AS; Monthly	Approved landscape purchase card statements with original receipts attached
All voided checks must be completed with date, payee, and amount prior to any signature	Principal Other authorized signatories	Voided checks	Voided checks	Principal and AS; Monthly	All voided checks will show date, payee, and amount

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
All remittances to the AS must be accompanied by MCPS form 280-34 and filed in accordance with Chapter 7 of the MCPS Financial Manual; all changes to for 280-34 must be initialed by the sponsor to signify agreement	Administrative Secretary All staff who remit funds	Form 280-34	Staff remitting funds must present form 280-34 to the AS at the time funds are remitted	Administrative Secretary Daily	Form 280-34 with accompanying receipts of funds remitted and all changes initialed by the sponsor
Field Trip Accounting Form 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; sponsors must list all payments separately and total prior to remitting; AS must reconcile trips to accts	Administrative Secretary Field trip sponsors	Form 280-41	Sponsors must submit form 280-41 to the AS on completion of each field trip	Administrative Secretary On completion of each field trip	Form 280-41 Fee Waiver Forms
Fundraiser Request Form must be prepared by the sponsor for review by the principal; request must describe specifically what is being done; sales must have inventory controls; admission events must comply with MCPS Regulation DMB-RA and be accompanied by ticket report	Principal Administrative Secretary Fundraiser sponsor	Fundraiser Request Form (FRF)	Sponsors must submit a FRF to the principal for approval prior to each event; inventory and ticket reports completed as required	Principal Administrative Secretary Prior to and following each even	Fundraiser Request Form Fundraiser Completion Form Inventory Reports Ticket Reports

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

Approved Please revise and resubmit plan by _____

Comments: *New administrative secretary and evidence of upgraded processes and monitoring in place.*

Director: *[Signature]* Date: *2/21/19*