


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 22, 2016

MEMORANDUM

To: Dr. Edgar E. Malker, Principal
Montgomery Village Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2015, through October 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.

At our meeting on December 15, 2016, with you, Mrs. Michelle L. Fortune, assistant principal, and Mrs. Angela E. Cosby, school financial specialist, we reviewed the status of present conditions. It should be noted that Mrs. Cosby's appointment was effective August 3, 2016. 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 principal approval to proceed with an intended purchase. 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. After the purchase is completed, the purchaser must submit the invoice or documented evidence of purchase, annotated to indicate

the satisfactory receipt of the goods or services, to the school financial specialist (refer to *MCPS Financial Manual*, chapter 20, pp. 6-7). The school financial specialist will then prepare the check and stamp or mark the documentation supporting the purchase as "paid." In our sample of disbursements, we found that many invoices and receipts were not stamped or marked "paid." We recommend that invoices/receipts be stamped or marked "paid" and filed once the check has been issued.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We noted that not all sponsors had submitted fund-raiser request forms for principal approval prior to conducting fund-raising activities. Although you and the school financial specialist signed the completion reports submitted at the conclusion of the fund-raising activities, the reports generally did not contain sufficient information to evaluate the results. We noted that concession sale proceeds were deposited as a donation rather than reconciling the amount of funds remitted for the sale. We also observed that funds collected for a charitable fund-raiser were not used for the purpose as advertised. In addition, we noted another fund-raiser in which it was impossible to determine whether or not all funds due to the school were remitted to the school financial specialist because of a lack of record keeping and the sponsor did not follow proper fund-raiser procedures. The completion report for an activity involving the sale of items should include the total number of items available for sale, cost of each, selling prices, and any remaining inventories to determine whether all funds collected were remitted to the school financial specialist. Funds raised as advertised for a charity should be sent to the charity at the conclusion of the fund-raiser. We recommend compliance with the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser* to provide for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the activity.

Summary of Recommendations

- Documentation supporting purchases must be stamped or marked "paid."
- Fund-raisers must be approved by the principal prior to advertising or conducting the activity.
- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results.
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Fund Raiser*

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 Mrs. Elizabeth L. Thomas, director of school support and improvement of middle 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

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FINANCIAL MANAGEMENT ACTION PLAN

School: Montgomery Village Middle School

Principal: Dr. Edgar E. Malker

Fiscal Year: 2016

Associate Superintendent: Dr. Darryl Williams

Director: Mrs. Beth Thomas

Strategic Improvement Focus:

As noted in the financial audit for the period **January 1, 2015 through October 31, 2016**, strategic improvements are required in the following business processes:

- MCPS Form 280-54: Independent Activity Funds Request for a Purchase must be used to obtain principal approval to proceed with an intended purchase. In addition, all supporting documents must be stamped or marked "paid."
- Fundraisers at the school must conform to the Guidelines for Sponsoring an Independent Activity Fund Raiser.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
<p>Prior to any purchase, ensure staff obtain principal approval and complete/submit MCPS Form 280-34, Independent Activity Fund (IAF) Remittance Slip.</p> <p>Ensure staff provide documented evidence of purchase of goods and service (e.g. receipts and invoice).</p> <p>Upon receipt of proper documentation, financial specialist will stamp or mark the supporting documentation for the purchase "paid" and filed once the check has been issued.</p>	Principal Financial Specialist Purchaser	<p>MCPS Financial Manual</p> <p>MVMS Financial Procedures and Guidelines</p> <p>MCPS Form 280-34, Independent Activity Fund (IAF) Remittance Slip</p>	Review of financial procedures and guidelines with staff on an ongoing basis and maintain a log for the review of the procedures and guidelines with staff (e.g. use of IAF funds).	At the request of each purchase or as needed with financial specialist.	All documentation supporting purchases will be stamped or marked "paid", filed once the check has been issued and comply with expectations outlined in the MCPS Financial Manual.
<p>Prior to advertising or conducting a fundraiser, ensure staff obtain principal approval and complete/submit fundraiser request forms.</p> <p>Ensure staff prepare and analyze the completion report with the financial specialist within 7 days at the conclusion of activity.</p>	Principal Financial Specialist Sponsor	<p>MCPS Financial Manual</p> <p>MVMS Financial Procedures and Guidelines</p> <p>Guidelines for Sponsoring an IAF Fund Raiser</p>	Review of financial procedures and guidelines with staff on an ongoing basis and maintain a log for the review of the procedures and guidelines with staff (e.g. Guidelines for Sponsoring an IAF Fund Raiser).	At the request of the intended fundraiser or as needed with financial specialist.	All fundraising activities will conform to Guidelines for Sponsoring an IAF Fund Raiser.

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

☒ Approved

☐ Please revise and resubmit plan by _____

Comments: _____

Director: _____

Elizabeth Smith

Date: _____

1/10/17