


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

August 25, 2016

MEMORANDUM

To: Ms. Panagiota K. Tsonis, Principal  
Newport Mill Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
January 1, 2014, through July 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 August 18, 2016, with you, and Mrs. Martha L. Ballon, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated January 28, 2014, 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 (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 the 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 when required, and invoices were not always signed by the receiver. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that MCPS Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and that complete documentation be attached to fully explain the reason for the purchase.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the school financial specialist. Cash should be counted in the presence of the remitter, and a receipt that is supported by MCPS Form 280-34, *Independent Activity Fund Remittance Slip*, should be issued promptly. Remittances received should, in turn, be promptly deposited into the school's bank account. We found instances in which funds were held by sponsors rather than remitted to school financial specialist on a daily basis, and not always promptly deposited into the school's bank account. Large and infrequent deposits increase the possibility of loss of funds as well as decrease the school's ability to fund activities. To minimize the risk of loss and provide availability of funds to meet school needs, all funds collected should be remitted to the school financial specialist daily for prompt deposit (refer to *MCPS Financial Manual*, chapter 7, page 4). In addition, all remittances on hand must be deposited before each weekend or holiday.

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. A list of all chaperones and volunteers should also be provided. This data should be provided to the school financial specialist at the completion of each trip, and compared to remittances recorded in the trip account history report. Once again, 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. Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms signed by the principal (and associate superintendent, when required), should be retained. The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. We recommend all sponsors be required to use MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and follow the procedures outlined above.

Sixth grade students at each middle school in MCPS participate in a three-day, two-night residential Outdoor Environmental Education Program (OEEP) for which they are assessed an activity fee to reimburse MCPS for personal expenses associated with the program. Students unable to pay the OEEP activity fee are entitled to receive waivers that must be reported to the OEEP administrative secretary so that the total amount of the invoice billed to schools is adjusted accordingly. We found that the school reported to OEEP fee waivers for some students who had actually paid the full amount that resulted in an underpayment to reimburse MCPS. We recommend that you review with the sponsor the procedures for reporting fees collected and fees

waiver for students attending the OEEP to ensure accuracy of information the school submits to the OEEP administrative secretary is accurate to fully reimburse MCPS.

#### 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**).
- Cash handling process must conform to chapter 7 of the *MCPS Finance 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.
- Field trip approval forms must be retained for audit (**repeat**).
- OEEP sponsor records must correctly report funds collected and waivers granted for all participating students.

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. Diane D. Morris, 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:MJB:lsh

#### Copy to:

Members of the Board of Education  
Dr. Smith  
Dr. Navarro  
Dr. Statham  
Dr. Zuckerman  
Mr. Civin  
Dr. Williams  
Mrs. Camp  
Mrs. Chen  
Mrs. DeGraba  
Ms. Diamond  
Mrs. Morris  
Mr. Ikheloa



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*Newport Mill Middle School*  
*An International Baccalaureate World School*

August 29, 2016

MEMORANDUM

To: Mr. Roger Pisha, Supervisor, Internal Audit  
From: Panagiota Tsonis, Principal *PT.*  
Subject: Response to Audit Report

This memorandum is in response to the Report on Audit of Independent Activity Funds for the Period January 1, 2014, through July 31, 2016. Attached is a copy of the audit report and our action plan response to items on the audit. Please contact me if you have any questions or comments about the audit or our response to it.

Copy to:  
Ms. Morris

## Fiscal Management Action Plan

School: Newport Mill Middle School

Principal: Panagiota Tsonis

Approved by Community Superintendent: \_\_\_\_\_

Date of Approval: \_\_\_\_\_

<b>Findings and Recommendations of School's Financial Report</b>	<b>Description of Resolution and Person(s) Responsible</b>	<b>Timeline</b>	<b>Evidence of Completion</b>
Purchase requests must be approved by the principal prior to procurement	Sponsors will be reminded, once again, that all purchases must be approved in writing by the principal prior to procurement.	Sponsors have been reminded of these guidelines.	E-mailed team leaders and content specialists on 08/29 (copy of e-mail attached).
Purchaser must confirm receipt of goods or services prior to disbursement.	Invoices will be signed by the purchaser indicating satisfactory receipt.	Sponsors have been reminded of these guidelines.	Financial Specialist to present at IC meeting on 09/13. E-mailed team leaders and content specialists on 08/29 (copy of e-mail attached).
Cash handling process must conform to Chapter 7 of the MCPS Finance Manual.	All money collected for fundraisers, field trips, purchase of PE uniforms, MUST be turned in to the financial agent at the end of each day. In her absence, the Transmittal Slip Form and money must be placed in a sealed envelope and handed to an administrator.	Sponsors have been reminded of these guidelines.	Financial Specialist to present at IC meeting on 09/13. E-mailed team leaders and content specialists on 08/29 (copy of e-mail attached). Financial Specialist to present at IC meeting on 09/13.

<b>Findings and Recommendations of School's Financial Report</b>	<b>Description of Resolution and Person(s) Responsible</b>	<b>Timeline</b>	<b>Evidence of Completion</b>
<p>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</p>	<p>Sponsors will be reminded, once again, to prepare a complete list which includes all eligible students, funds collected, donations given, and any other pertinent information for the reconciliation of the funds collected with costs of the trip.</p>	<p>Sponsors have been reminded of these guidelines.</p>	<p>E-mailed team leaders and content specialists on 08/29 (copy of e-mail attached).</p> <p>Financial Specialist to present at IC meeting on 09/13.</p> <p>Financial Specialist will meet with field trip sponsor individually to go over forms to be completed.</p>
<p>Field Trip approval forms must be retained for audit</p>	<p>All field trip requests will go through the financial agent to ensure a copy of the field trip packet is kept on file.</p>	<p>Field trip organizers will start the field trip process with the financial agent.</p>	<p>E-mailed team leaders and content specialists on 08/29 (copy of e-mail attached).</p> <p>Administrative Secretary and Financial Specialist will retain copies of field trip approval forms.</p>
<p>OEEP sponsor records must correctly report funds collected and waivers granted for all participant students.</p>	<p>Financial agent will work closely with the OEEP sponsors to ensure accuracy of information.</p>	<p>The principal has scheduled a meeting with OEEP sponsors to go over procedures.</p>	<p>Principal and financial specialist to meet with new outdoor ed sponsor and 6<sup>th</sup> grade team leaders to set up expectations and monitor with meetings in preparation for outdoor ed.</p>