


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 13, 2019

MEMORANDUM

To: Mrs. Cheryl D. Pulliam, Principal
Oakland Terrace Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
June 1, 2016, through April 30, 2019

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 May 31, 2019, meeting with you; and Mrs. Elissa M. Royall, assistant principal; Mrs. Katherine D. Hill, school administrative secretary, and Mrs. Sandra L. Windlan, visiting bookkeeper, we reviewed our prior audit report dated July 5, 2016, 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

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, bank reconciliation report, and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date (refer to *MCPS Financial Manual*, chapter 20, page 9). Although these reports were prepared monthly

by the school's visiting bookkeeper, several reports had not been reviewed and signed. We recommend that you initiate a process that ensures this important internal control process occurs monthly.

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain the principal's approval to proceed with an intended purchase. After acquisition, the purchaser should submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the school administrative secretary. Upon disbursement, the documentation is to be stamped or marked "paid" to preclude duplicate payment (refer to *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal, receipts were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received, and invoices supporting purchases were not stamped or marked "paid." We recommend that the IAF purchases comply with MCPS procedures.

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 approve cardholders' transactions within 10 business days after the cardholder has reviewed their transactions. The principal's card transactions are to be reviewed and approved by the respective director of learning, achievement, and administration, in the Office of School Support and Improvement. We found cardholders had not promptly prepared their monthly statements. We also found transactions had not been reviewed by cardholders or approved by the principal in the online reconciliation program in a timely manner. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

To properly control funds, all cash and checks collected by sponsors for IAF activities should be remitted promptly to the school administrative secretary. These funds should then be verified in the presence of the remitter and a receipt that is supported by MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, should be issued promptly (refer to *MCPS Financial Manual*, chapter 7, page 4). We found instances in which funds were held by sponsors rather than being remitted on a daily basis to the school administrative secretary and not always promptly deposited into the school's bank account. To minimize the risk of loss and provide availability of funds to meet school needs, we recommend that all funds collected be remitted daily to the school administrative secretary for prompt deposit.

Summary of Recommendations

- IAF must be managed in accordance with sound accounting practices and effective internal control procedures.
- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.

- Purchase invoices must be annotated as “paid” to indicate disbursements were made.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide* (**repeat**).
- Funds collected by sponsors must be promptly remitted to the school administrative secretary (**repeat**).
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the school administrative secretary.

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. Peter O. Moran, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Moran will indicate whether he 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:AMB: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

Dr. Moran

Mr. Reilly

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2019	Fiscal Year: 2019
School: Oakland Terrace ES - 769	Principal: Cheryl D. Pulliam
OSSI Associate Superintendent: Cheryl Dyson	OSSI Director: Dr. Peter Moran
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>6/1/16-4/30/19</u>, strategic improvements are required in the following business processes :</p> <p>IAF monthly review, Purchase request approval, Purchaser receipt of goods, Purchase invoices stamped "paid", P Card procedures, Funds received and deposited</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
The Principal will review and sign all required pages of the IAF monthly report and bank statements. However, as we thought that we were in compliance, we will be diligent about thoroughly reviewing and signing all pages as necessary.	Cheryl Pulliam	None	Monthly report	Cheryl Pulliam, Katherine Hill, VB, Monthly	Signatures
Purchase requests will be reviewed and approved or denied prior to purchases. Reminders will be made to all staff of this requirement multiple times a year in addition to the pre-sevice training and Staff handbook reference. Staff will be trained on this procedure and new the checklist at meetings and through the Online staff handbook.	Cheryl Pulliam	None	An IAF Request for Purchase Check list will be created to ensure adherence to the correct procedures.	Cheryl Pulliam and Katherine Hill	Correctly followed procedures
Purchasers will confirm receipt of goods and services prior to disbursement by stamping the invoice/receipt with a "Received" stamp and a signature and date. Staff will receive training on the requirement to use the Received stamp through meetings and the Online staff handbook.	Purchaser	"Received" stamp made accessible to all staff use in the staff work	IAF Purchase Checklist	Cheryl Pulliam Katherine Hill	Invoices will be stamped, dated and signed
Purchase invoices will be annotated using a stamp "PAID" to indicate that disbursements have been made.	Katherine Hill	"PAID" Stamp	IAF Purchase Checklist	Cheryl Pulliam and Katherine Hill	Invoices will be marked with a red "PAID" stamp

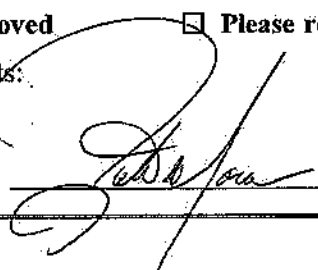
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Outlook reminders delivered to all P-Card holders on the first of every month to review and complete the required paperwork and actions by the 5th of each month.	All P-Card holders	None	IAF monthly check list	Cheryl Pulliam and Katherine Hill, Monthly	JP Morgan Chase purchases will be reviewed and processed by the 5th of each month and landscape reports generated.
Funds from teachers and sponsors will be collected daily by 11:00 am by Para Educators and delivered to the Administrative Secretary. Continuous training about money handling will take place by meeting with the Principal prior to the beginning of the activity and through the handbook.	Teachers, Sponsors, Para Educators	None	IAF monthly checklist/ Field trip procedural check list	Katherine Hill, Daily	Money will be received by the Administrative Secretary in a timely manner.
Funds from Teachers/Sponsors will be verified, receipted and promptly deposited into the bank account daily.	Katherine Hill	None	Receipts, deposit slips	Cheryl Pulliam, Katherine Hill, Daily	Daily bank deposits if money is receipted.

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

Approved Please revise and resubmit plan by _____

Comments:

Director: _____



Date: 7/29/19