


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

March 21, 2019

MEMORANDUM

To: Mr. Jeffrey L. Cline, Principal  
Oak View Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
January 1, 2016, through December 31, 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 March 8, 2019, meeting with you; Mrs. April D. Longest, principal intern; Ms. Wilma Govea, school administrative secretary; and Mrs. Sandra L. Windlan, visiting bookkeeper, we reviewed the status of the conditions described in our prior audit report dated February 22, 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

Reconciliation of the school's monthly bank checking account statement must be completed by a person independent of daily accounting transaction input. Monthly reports, including the bank reconciliation, are to be presented to the principal no later than the 20<sup>th</sup> of the month following the close of each month. The principal shall review these reports, sign and date them to indicate this

review, and return them to the school administrative secretary to be filed with other monthly reports (refer to *MCPS Financial Manual*, chapter 20, page. 9). We found that although the visiting bookkeeper was preparing the bank reconciliations timely, the principal was not always signing the reports by the 20<sup>th</sup> of the month. We recommend that whenever possible the visiting bookkeeper meet with the principal at the time the reconciliation is done so that the reports can be reviewed together prior to the principal signing by the 20<sup>th</sup> of the month.

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, prior approval was not consistently obtained. 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 at the time verbal approval is sought.

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the school administrative secretary together with MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*. We found that although remittance slips were prepared by sponsors, they were not retained with the deposit packet, but rather returned to the sponsor. In addition, some field trip sponsors were holding fees collected rather than remitting them to the school administrative secretary on a daily basis, and a few field trip sponsors only made one large deposit for all fees collected. To minimize the risk of loss, we recommend that staff submit cash and checks collected for IAF activities to the school administrative secretary daily.

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.

Independent contractors or consultants working in schools 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).

### Summary of Recommendations

- Monthly financial reports must be signed and dated timely (20<sup>th</sup> of month) by the principal to indicate review.
- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Cash and checks collected by sponsors must be promptly remitted with MCPS Form 280-34 to the school administrative secretary (**repeat**).
- 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**).
- Independent contractor services paid with IAF must use MCPS Form 280-49a.

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 Mr. Eric A. Wilson, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mr. Wilson 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:SMY

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Morris

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Reilly

Mr. Tallur

Mr. Wilson

Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> 3/21/2019	<b>Fiscal Year:</b> 3/21/2019
<b>School:</b> -- Choose One -- <i>Oak View ES</i>	<b>Principal:</b> Jeff Cline
<b>OSSI Associate Superintendent:</b> Diana Morris	<b>OSSI Director:</b> Eric Wilson

**Strategic Improvement Focus:**

As noted in the financial audit for the period 1/1/016-12/31/20, strategic improvements are required in the following business processes :

Monthly financial reports signed/dated by 20th by the principal. Purchase requests approved by principal prior to procurement. Cash/checks remitted daily with Form 280-34. Field trips include all data to account for all students eligible to participate and to reconcile funds Independent contractor services paid with IAF must use MCPS Form 280-49.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Field trip and fundraiser sponsors will obtain the field trip and/or fundraiser process file from the admin. secretary and then schedule a direct meeting with the principal to review the process and expectations. During the sponsor/principal meeting Form 280-54 will be completed. The process will be presented to all staff each fall during pre-service/as needed.	Wilma Govea,	Field trip and fundraiser process files and forms.		Wilma Govea,	
Meeting dates with the visiting school bookkeeper will be placed on the admin calendar. The admin, secretary will direct the visiting bookkeeper to meet with the principal on the day of the review to ensure all steps are being followed, monthly reports are signed and dated by the 20th of each month, and any needed changes are put into action.	Wilma Govea,	Monthly financial reports		Wilma Govea,	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Cash and checks collected by sponsors will be remitted daily to the admin. sec. with MCPS Form 280-34, include the completed daily remittance form, and the updated field trip accounting spreadsheet to ensure comprehensive data for all students is recorded and kept up-to-date. The admin. secretary will notify the principal immediately of any issues.		Field trip and fundraiser process and completed forms	Reviewed and signed documents	Wilma Govea,	Reviewed and signed
The administrative secretary will ensure independent contractor services paid with IAF includes MCPS Form 280-49a and report such to the principal for each occasion needed.	Wilma Govea,	MCPS Form 280-49a	Reviewed and signed documents and the field trip fundraiser processes	Wilma Govea,	Reviewed and signed documents and the field trip fundraiser process
The administrative secretary will review all documents submitted by field trip and fundraiser sponsors thoroughly to ensure they are completed in their entirety. Upon incomplete data, the administrative secretary will contact the sponsor to complete all required information and report uncooperative staff immediately to the principal.	Wilma Govea,	None	Completed financial	Wilma Govea,	Completed financial
The principal will assign the administrative secretary to attend the second session of financial training as required by MCPS, and to review the components of the financial manual. The principal will ensure that the administrative secretary demonstrates knowledge of how to access items on the MCPS business web page.	Wilma Govea,	MCPS Financial Handbook	Memo/email to administrative secretary showing completion of second session of financial training and review of MCPS business web page	Jeff Cline, Principal	Memo/email to administrative secretary showing completion of second session of financial training and review of MCPS business web page

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

Approved       Please revise and resubmit plan by \_\_\_\_\_

Comments:

Director: E. Wilson      Date: 4/26/19