


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

April 18, 2016

MEMORANDUM

To: Ms. Jennifer H. Lowndes, Principal
Rock Creek Forest Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2013, through February 29, 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 IAFs are administered in accordance with MCPS policies, regulations, and procedures.

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 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 April 14, 2016, with you and Ms. Christina Speed, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated February 22, 2013, 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

The principal is responsible for all monies received or disbursed within the school as well as the implementation of internal controls for achieving compliance with MCPS policies, regulations, and procedures pertaining to these funds. The principal has overall responsibility to ensure the maintenance and timely preparation of monthly financial reports (see MCPS Financial Manual, p. 20-8). Effective internal control includes the monthly receipt and review by the principal of the unopened bank statement, bank reconciliation report, and ledger report in a timely manner. Review of these important reports must be evidenced by the principal's signature and date. We could find no

indication that these important reviews were completed consistently during our audit period. We recommend you initiate a process that ensures this important internal control process occurs monthly (see MCPS Financial Manual, p. 20-9).

MCPS Form 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-4). 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. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt, and stamped or marked "Paid". In our sample of disbursements, we again found prior approval was not consistently obtained. Invoices were not signed by the receiver and documentation was not marked or stamped "Paid". By requiring written prior approval, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff with an estimate of expenditure amount and signed by you at the time verbal approval is sought.

In accordance with the MCPS Financial Manual (p. 20-5), aggregate school expenditures for staff meeting refreshment and appreciation items may not exceed \$60 per full-time equivalent (FTE) per fiscal year without the prior written authorization from the chief operating officer (COO). We found that the aggregate school expenditures exceeded the allowable amount for both FY 2014 and FY 2015 without obtaining approval from the COO. We recommend that you adhere to expenditure guidelines for staff refreshments and appreciation.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the administrative secretary with MCPS Form 280-34, *IAF Remittance Slip*, on the same day they are received to minimize the risk of loss or theft. The funds should be verified in the presence of the remitter, and a receipt should be issued promptly. In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and either place the sealed envelope in the business office safe or receive written acknowledgement that it was provided to the administrative secretary. Verification of these funds will be conducted in the presence of the remitter as soon as possible thereafter. We found that some sponsors were holding funds collected rather than remitting them to the administrative secretary on a daily basis. Also, there was no process for securing funds when the administrative secretary was unable to verify them. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual, pp. 7-3, 7-4. To reduce the workload of using cash handling requirements for sponsors and administrative secretary, we further recommend using Online School Payment (OSP).

The review of field trip activities revealed that not all field trip sponsors are providing completed financial information to the administrative secretary at the completion of a trip. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and submit the data to the administrative secretary when a trip is completed (see MCPS Financial Manual, p. 20-9). The record of names of participants and funds collected strengthens internal controls by enabling the reconciliation of receipts to entries recorded in the field trip account. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above.

Summary of Recommendations

- Monthly financial reports must be reviewed, signed, and dated by the principal to indicate review;
- Purchase requests must be approved by the principal prior to procurement (repeat);
- Purchaser must confirm receipt of goods or services prior to disbursement;
- Invoices and receipts must be annotated as "Paid" to indicate disbursement was made;
- Staff appreciation and meeting refreshment aggregate expenditures may not exceed \$60 per FTE per fiscal year without prior approval of the COO;
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the administrative secretary (repeat);
- Cash handling by sponsors and administrative secretary can be reduced using OSP; and
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with cost of the trip (repeat).

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 office within 30 days of this report, with a copy to Mrs. Cheryl Smith, director of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:AMB:sd

Copy to:

Dr. Zuckerman
Dr. Statham
Dr. Navarro
Dr. Kimball
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit
Mrs. Smith

Fiscal Management Action Plan

School: Rock Creek Forest ES

Principal: Jennifer Lowndes

Approved by associate superintendent: _____ Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Finding: Inconsistent reviews of bank statement, bank reconciliation report, and ledger report during audit period. Recommendation: Consistently, implement effective internal controls to include the monthly receipt and review by the principal of the opened bank statement, bank reconciliation report, and ledger report in a timely manner.	Auditor recommendations are implemented monthly. <i>The monthly bank statement, if mailed to the school is delivered directly to the principal, unopened.</i> <i>The principal will review the statement, the canceled checks, and other documents and arrange for a reconciliation of the statement by someone other than the school financial agent.</i> Persons Responsible: bookkeeper, administrative secretary, principal.	New process of review, signature and date consistently implemented monthly as of April 18, 2016.	Signed and dated envelopes from unopened bank statements, bank reconciliation report and ledger.
Finding: Inconsistent prior written approval for requests to purchase. Recommendation: The principal prior to procurement must approve requests.	Faculty members have been reminded that no purchases shall be made without prior approval on the IAF form. Persons Responsible: faculty, administrative secretary, principal.	Upgraded process for approval, receipt, and marking paid implemented consistently as of April 18, 2016.	Copies of pre-approved purchase request forms with principal signature.
Finding: The receiver did not consistently sign invoices. Recommendation: Purchaser must confirm receipt of goods or services prior to disbursement.	Auditor recommendations are implemented as goods and services are received. The administrative secretary receives and signs invoices. Person Responsible: administrative secretary	Upgraded process for approval, receipt, and marking paid, implemented consistently as of April 18, 2016.	Invoices signed by receiver.
Finding: Documentation of purchases was not consistently stamped "Paid."	Auditor recommendations are implemented as goods and services are received. The administrative secretary confirms payment and marks "paid."	Upgraded process for approval, receipt, and marking paid implemented	Documentation marked/stamped "Paid."

<p>Recommendation: Invoices and receipts must be annotated as "Paid" to dictate disbursement was made.</p>	<p>Person Responsible: administrative secretary</p>	<p>consistently as of April 18, 2016.</p>	
<p>Finding: The aggregate school expenditures exceeded the allowable amount for FY 2014 and 2015.</p> <p>Recommendation: Staff appreciation and meeting refreshment aggregate expenditures may not exceed \$60 per fiscal year.</p>	<p>Account for meeting refreshments and appreciation items will contain only the fiscal year allocation (\$60 X # of faculty members). No additional monies will be spent.</p> <p>Persons Responsible: bookkeeper, administrative secretary, principal.</p>	<p>Upgraded process implemented as of April 18, 2016. For the coming year, account balance will be maintained for this category.</p>	<p>Account balance for meeting refreshments and appreciation items.</p>
<p>Finding: Some sponsors were holding funds collected rather than remitting them to administrative secretary on a daily basis. There was no process for securing funds when the administrative secretary was unable to verify them.</p> <p>Recommendation: Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the administrative secretary.</p>	<p>Faculty members have been reminded to remit funds collected on a daily basis to the administrative secretary.</p> <ul style="list-style-type: none"> • <i>Every MCPS Form 280-34 should be completed and must indicate:</i> <ul style="list-style-type: none"> • <i>Date of remittance (date remitted to financial agent)</i> • <i>Amount of funds remitted (separate totals indicating amount of cash and checks)</i> • <i>Source of funds received (person or entity remitting funds)</i> • <i>General Ledger Account (account title and number to receive credit for remitted funds)</i> • <i>Reason for collection</i> • <i>List of students from whom funds were collected with amount of cash or check</i> • <i>Signature of remitter</i> • <i>Every receipt should be completed promptly by the financial agent and must indicate:</i> <ul style="list-style-type: none"> • <i>Receipt number (pre-numbered)</i> • <i>Date recorded in General Ledger</i> • <i>Source of funds received (person remitting funds)</i> • <i>General Ledger Account (account to receive credit for remitted funds)</i> • <i>Reason for collection (activity or item)</i> • <i>Amount of funds remitted (separate totals indicating amount of cash and checks)</i> • <i>Signature of financial agent receiving the funds</i> <p>Persons responsible: classroom teachers, sponsors, administrative secretary, and principal.</p>	<p>Upgraded implemented as of April 18, 2016.</p>	<p>MCPS Form 280-34 signed and dated by remitter and administrative secretary.</p>

<p>Finding: Some sponsors were holding funds collected rather than remitting them to administrative secretary on a daily basis.</p> <p>Recommendation: Using OSP can reduce Cash handling by sponsors and administrative secretary.</p>	<p>Principal and administrative secretary will work with the Grade 4 team to pilot OSP.</p> <p>Persons responsible: grade 4 classroom teachers, administrative secretary, and principal.</p>	<p>Plan for FY 17 implementation of OSP during the June 2016.</p>	<p>Evidence of OSP pilot.</p>
<p>Finding: Not all field trip sponsors are providing completed financial information to the administrative secretary at the completion of a trip.</p> <p>Recommendation: Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate and to reconcile funds collected with cost of the trip.</p>	<p>Principal and administrative secretary are encouraging faculty to maintain MCPS Form 280-42 <i>Field Trip Accounting</i> electronically. <i>This electronic form will be used by sponsors to record field trip funds collected. Sponsors should have a complete class or club roster of student names to annotate how much each student paid, students who did not attend the field trip, and students who received waivers/scholarships or reduced fees. Sponsors should keep the cost and fee information for each trip and provide the data to the financial agent when a trip is completed.</i></p> <p>Persons responsible: classroom teachers, administrative secretary, and principal.</p>	<p>Upgraded process of review, signature and date consistently implemented monthly as of April 18, 2016.</p>	<p>Submitted and dated record of cost and fee information for each field trip to include record of names of participants and funds collected. (MCPS Form 280-42, Field Trip Accounting)</p>

Note: A copy of the approved plan is to be sent to the Internal Audit Office, URSC suite 3380