


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

June 22, 2015

MEMORANDUM

To: Mrs. Michelle E. Schultze, Principal
Regional Institute for Children and Adolescents

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2011, through April 30, 2015

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 June 17, 2015, with you, Mr. Joshua Munsey, assistant principal, and Mrs. Joan Spencer, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated December 2, 2011, 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

Internal control is a system of interconnected policies, regulations, procedures, and attitudes and actions of employees that work together to provide a system of checks and balances to achieve proper authorization of expenditures and safeguarding of assets. The principal is the individual who has the overall fiduciary responsibility for the IAF (see MCPS Financial Manual, p. 20-3). We found an absence of controls over operations resulting in untimely bank deposits, receipts issued out of numerical sequence, poor maintenance of financial records and failure to recognize that student picture commission checks due your school per vendor contract had not been received. We

recommend you initiate a monitoring process to enforce IAF policies, regulations, and procedures in order to promote timely and accurate reporting of data.

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. 20-5). 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 they comply with IAF requirements. Invoices for goods and services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, we found that prior approval was not consistently obtained. Many invoices were not stamped "paid" and not always signed by the receiver. In addition, some invoices were missing. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought.

Cash and checks collected by sponsors for IAF activities should be remitted promptly to the administrative secretary together with MCPS Form 280-34, *Remittance Slip*, on the day the funds are received. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (see MCPS Financial Manual, p.7-4). An inspection of records disclosed that some sponsors held fees collected rather than remitting them to the administrative secretary on a daily basis. We also noted that the administrative secretary was not always making deposits on the last working day of each month and before each weekend or holiday. To minimize the risk of loss, we recommend staff remit all funds collected for IAF activities daily to the administrative secretary for prompt deposit in accordance with MCPS policy and procedures.

Once written, a check or receipt shall not be erased or altered. If an error is discovered, the check or receipt should be marked "void" and a replacement issued. Any misprinted check or receipt should be entered into the accounting system, and the voided check and all parts of any voided receipt form should be defaced and retained. We found that this practice was not being followed. In addition, we found receipts were printed on plain paper rather than on receipt stock. We recommend that checks and cash receipts written in error be properly voided in accordance with the MCPS Financial Manual pp. 7-4 and 20-6.

Although field trips are infrequent, they must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trips must be approved by the principal in advance, and a separate account established in the IAF for each 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 the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. Review of field trip activities disclosed that a sponsor failed to prepare a Field Trip Request Form for the principal's written approval, and the final comprehensive financial information was not prepared. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above. In addition, we recommend the administrative secretary complete a reconciliation of field trip activity as soon as the final comprehensive data is received from the sponsor (see MCPS Financial Manual, p. 20-9).

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, and purchasers must indicate receipt of goods or services prior to disbursement;
- Funds must be promptly remitted by sponsors and promptly verified, receipted and deposited in the bank by the administrative secretary;
- Checks or receipts with errors must be voided according to the MCPS Financial Manual; 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 costs of the trip.

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 Dr. Christopher S. Garran, associate superintendent of high schools. The Office of School Support and Improvement will follow up on this audit.

RWP:AB:sd

Copy to:

Dr. Zuckerman
Dr. Navarro
Dr. Statham
Dr. Garran
Mr. Sanderson
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit

2015 Fiscal Management Action Plan

School: **RICA**

Approved by associate superintendent 

Principal: **Michelle Schultze**

Date of Approval: 8/5/2015

Findings and Recommendations of School's Financial Report	Description of Resolution and Person(s) Responsible	Timeline	Evidence of Completion
IAF must be managed in accordance with sound accounting practices and effective internal control procedures.	<p>Persons Responsible: Michelle Schultze, Joan Spencer</p> <p>Resolution:</p> <ul style="list-style-type: none"> Greater oversight and control of the IAF will be effected by the principal. The admin secretary will follow sound accounting practices in management of the IAF. 	Beginning July 2015 - ongoing	<ul style="list-style-type: none"> Timely bank deposits made. Receipts issued in numerical sequence. Monitoring of financial transactions by the principal, including monthly meetings w/Mrs. Spencer to review the IAF accounts.
Purchase requests must be approved by the principal prior to procurement, and purchasers must indicate receipt of goods or services prior to disbursement.	<p>Person Responsible: Joan Spencer</p> <p>Resolution:</p> <ul style="list-style-type: none"> Prior approval will be obtained for each procurement. All invoices will be stamped "Paid" and signed by the receiver. All invoices checked for completion. 	Beginning July 2015 - ongoing	<ul style="list-style-type: none"> All funds requests will have prior approval. Stamped invoices. All invoices accounted for and complete.
Funds must be promptly remitted by sponsors and promptly verified; receipted and deposited in the bank by the administrative secretary.	<p>Person Responsible: Joan Spencer</p> <p>Resolution:</p> <ul style="list-style-type: none"> Expectations will be clearly communicated to IAF activity sponsors to remit promptly to Mrs. Spencer with form 	Beginning July 2015 - ongoing	<ul style="list-style-type: none"> Record of timely remittance and deposits of field trip funds.

Checks or receipts with errors must be voided according to the MCPS Financial Manual	<p>280-34 on the day the funds are received.</p> <ul style="list-style-type: none"> • Mrs. Spencer will promptly deposit all receipts on the last working day of each month and before each weekend or holiday. 	Beginning July 2015 - ongoing	<ul style="list-style-type: none"> • Misprinted checks or receipts are marked "Void" and a replacement issued. • Receipts printed on receipt stock.
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>Person Responsible: Joan Spencer Resolution:</p> <ul style="list-style-type: none"> • Any misprinted check or receipt should be entered into the accounting system, and voided checks and all parts of any voided receipt form should be defaced and retained. • All receipts will be printed on receipt stock. <p>Person Responsible: Joan Spencer Resolution:</p> <ul style="list-style-type: none"> • Expectations will be clearly communicated to field trip sponsors, with support available. • Sponsors will be provided the necessary documentation and follow up reports. Mrs. Spencer will gather the necessary documentation. • Reconciliation of field trip activity by Mrs. Spencer as soon as the final comprehensive data is received from the sponsor. 	Beginning July 2015 - ongoing	<ul style="list-style-type: none"> • Field trip documentation and reports have been reconciled. • Accurate field trip records with reconciled funds and costs. • Field trip requests and final comprehensive financial information documents completed for each trip. • Completed Reconciliation of Field Trip Activity for any field trips.