


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

September 5, 2018

MEMORANDUM

To: Mr. Joshua H. Munsey, Principal  
John L. Gildner Regional Institute for Children and Adolescents

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

Subject: Report on Audit of Independent Activity Funds for the Period  
May 1, 2015, through May 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 and are charged with determining the manner in which funds are raised and expended for activities such as field trips, admission events, and fund-raisers. 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 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.

At our August 22, 2018, meeting with you and Ms. Cindy B. Rampp, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated June 22, 2015, 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

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 (refer to *MCPS Financial Manual*, chapter 7, page 4

and chapter 20, page 6). We found that this practice was not being followed. In addition, we found receipts that were printed on plain paper rather than on receipt stock. We recommend that checks and receipts written in error be properly voided in accordance with the stated references.

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase. 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 (refer to *MCPS Financial Manual*, chapter 20, page 6). 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 IAFs. We recommend that MCPS Form 280-54 be prepared by staff for your signature at the time verbal approval is sought and that complete documentation be attached to fully explain the reason for the purchase that is annotated to indicate satisfactory receipt by the purchaser and is marked "paid" upon disbursement.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. Each fund-raiser should be approved by the principal in writing and the approval retained in the school office together with a completion report that analyzes the results (refer to *MCPS Financial Manual*, chapter 20, page 13). Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. We found that there was a lack of adherence to these guidelines. We recommend that fund-raisers be approved by the principal in writing and that sponsors be required to prepare completion reports at the conclusion of the activities in order to evaluate the results.

### Summary of Recommendations

- Checks or receipts with errors must be voided according to the *MCPS Financial Manual* (**repeat**).
- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchase documentation must be adequate to support disbursements.
- Purchase invoices must be annotated as "paid" to indicate disbursement was made.
- Fund-raising must conform to *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*.

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. Adrienne L. Morrow, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Morrow will indicate whether she will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school financial agent to support you with developing a well-defined plan to address the findings.

RWP:RCM:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Dr. Williams

Mrs. Camp

Mrs. Chen

Ms. Diamond

Dr. Morrow

Mr. Tallur

Mr. Ikheloa

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> 2019	<b>Fiscal Year:</b> 2019
<b>School:</b> Regional Institute for Children and Adolescents (RICA) SSAP - 965	<b>Principal:</b> Joshua H. Munsey
<b>OSSI Associate Superintendent:</b> Darryl Williams	<b>OSSI Director:</b> Dr. Adrienne Morrow
<p><b>Strategic Improvement Focus:</b>          As noted in the financial audit for the period <u>2015-2018</u>, strategic improvements are required in the following business processes :</p> <p>Checks w/errors need voided, purchase requests must have prior approval, confirmation of receipt of goods, documentation of disbursements, invoices marked paid, fundraisers</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Voided checks, or receipts, will be kept on file and marked "void". Receipts will be printed on Official Receipt stock in numerical order.	Financial Agent	Designated file for voided checks.	Periodic verification of voided checks (monthly)	Principal, Monthly	There is a file for voided checks.
Develop structured process to ensure that any and all purchases will have Form 280-54 completed and signed in advance of purchase. Communicate this process to staff in pre-service.	Financial Agent	None	Communicate process to staff in pre-service.	Principal, Pre-service, monitor monthly.	Process developed, and communicated to staff during pre-service. Monitored monthly.
Develop a structured process will be to ensure that all invoices will be signed by receiver to acknowledge receipt of goods. This process will include collaboration with MDH maintenance and receiving staff to ensure MCPS deliveries are directed to MCPS school office.	Financial Agent	Collaboration with any receivers including MDH staff.	Communicate process to any potential receivers.	Principal, When developing collaborative process, monitoring effectiveness (monthly)	Process developed, in collaboration with MDH staff who might receive deliveries.
Develop a structured process to ensure that there is a record of all purchases will be supported by the original, itemized receipt signed by receiver, Form 280-54, and the office copy portion of the check written.	Financial Agent	None	Periodic verification of all purchases. (monthly)	Principal, Monthly	Process developed, and implemented.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Develop a structured process to ensure that all invoices will be marked "PAID" when reimbursement is made.	Financial Agent	"PAID" stamp	Periodic verification of invoices. (monthly)	Principal, Montly	Process has been developed. All invoices are marked "PAID" when reimbursements are made.
Adjust current practice to ensure that all Fundraisers will have a request form completed prior to the Fundraiser, and a completion form after the Fundraiser.	Financial Agent	None	Communicate process to all staff in pre-service. Evaluate after Fundraiser to ensure all steps were followed.	Principal, during Pre-Service Evaluation after fundraiser	Process was communicated during pre-service. Monitored after fundraiser in fundraiser debrief.

<b>OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW &amp; APPROVAL</b>	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments:	
Director: <u>Adrienne L. Morrow</u>	Date: <u>3/1/19</u>