


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

January 3, 2017

MEMORANDUM

To: Dr. Cynthia Eldridge, Principal
Rocky Hill Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2014, through October 31, 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 fund-raisers. They are responsible for ensuring that the IAFs are administered in accordance with MCPS policies, 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 meeting on December 20, 2016, with you and Mrs. Vlasta M. Belt, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated May 9, 2014, 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

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. Invoices for goods or 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 disbursements did not have adequate documentation to fully explain the reason for the expenditure, or what account to charge, and invoices were not always signed by the receiver. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF activities. We recommend that MCPS Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and that complete documentation be attached to fully explain the reason for the purchase. Certain sponsors would benefit from preparing an annual budget detailing expected income, expenses and then obtaining your approval at the beginning of the school year. These budgets should be monitored by your school financial specialist and revised if necessary.

All contracts for the purchase of equipment, supplies, or services procured with IAF must be signed by the principal or acting principal (refer to *MCPS Financial Manual*, chapter 20, page 7). In addition, the principal must obtain prior approval from both the Systemwide Safety Programs and Employee and Retiree Service Center for any contract involving liability/risk of injury that could place MCPS, the school, or any MCPS employee at risk for potential legal damages (refer to *MCPS Financial Manual*, chapter 20 pp. 5 and 8). We found that you did not seek approval for the moon bounce or dunk tank used during a fund-raiser and that the sponsor, rather than the principal, signed the contract. The principal also must obtain prior written authorization from the Board of Education Office (BOE) ethics officer for procurement of goods or services from any MCPS employee, a member of any MCPS employee's immediate family, or any business entity (for profit or not for profit) in which any MCPS employee or MCPS employee's immediate family has any amount of ownership in or influence over decision making of the business entity (refer to *MCPS Financial Manual*, chapter 6 pp. 6-7). We found that you procured items from an MCPS employee's business without approval from the BOE ethics officer. We recommend compliance with the above referenced requirements prior to committing your school to any contract involving liability/risk of injury or any procurement from an MCPS employee's business.

In order to properly control receipts, all cash and checks collected by sponsors for IAF activities should be remitted promptly to the school financial specialist together with MCPS Form 280-34: *Independent Activity Fund (IAF) Remittance Slip*. The amount of funds should be verified in the presence of the remitter, and a receipt that is supported by MCPS Form 280-34 should be issued promptly. 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 (refer to the *MCPS Financial Manual*, Chapter 7, pp. 4-5). We found that some sponsors were holding funds collected rather than remitting them to the school financial specialist on a daily basis. To minimize the risk of loss, we recommend that staff be encouraged to remit daily all funds collected for IAF activities to the school financial specialist for prompt deposit in accordance with MCPS policy and procedures.

Cash may be issued to establish a change fund to aid in the sale of items or tickets. At all times, the change fund cash on hand must equal the authorized amount issued. When the requirement for the change fund is concluded, the change fund cash is remitted separately from the cash received from sales, to the school financial specialist and receipted into the appropriate IAF accounts. All school change funds must be closed no later than the end of the fiscal year. We

found that not all change funds complied with MCPS requirements. One sponsor received a change fund for outdoor education program materials and another for agenda sales. The cash amounts of these change funds were not separately receipted into the appropriate IAF accounts but rather were comingled with the cash sales of materials and tickets, which made it difficult to determine whether or not the total all cash remitted to the school financial specialist was correct. We recommend that the change fund usage be brought into compliance with requirements (refer to *MCPS Financial Manual*, chapter 7, page 6).

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fundraiser*. In our sample, we noted that one fund-raiser had begun before approval was obtained. For several fund-raisers, the completion reports that were submitted at the conclusion of the activities did not fully evaluate the results. A completion report for an activity involving the sale of items should include the total number of items for sale, selling prices, and any remaining inventories to determine whether all funds collected were remitted to the school financial specialist. We recommend following all internal control procedures to provide for accountability of funds raised, as well as the opportunity to evaluate the results at the conclusion of the activity (refer to *MCPS Financial Manual*, chapter 20, pp. 12–13).

Sixth grade students at each middle school in MCPS participate in a three-day, two-night residential outdoor environmental education program (OEEP) for which they are assessed an activity fee to reimburse MCPS for personal expenses associated with the program. The student cost for OEEP is \$76. Students unable to pay the OEEP activity fee receive waivers. Any waivers must be reported to MCPS so that the total amount of the invoice billed to schools is adjusted accordingly. We found that the school collected \$14 from each student as an additional materials fee. You also sold T-shirts and water bottles to students to help supplement OEEP, in addition to receiving a \$1,500 donation from your Parent Teacher Student Association (PTSA). We further noted that a balance is accumulating in your OEEP materials account. We recommend that you review the cost of OEEP to ensure established fees are commensurate with the cost of trip expenses.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchase documentation must be adequate to support disbursements (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Contracts involving liability/risk of injury require additional approval.
- Procurement from an MCPS employee's business requires BOE ethics officer approval.
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the school financial specialist.
- Change fund accounting must should comply with MCPS requirements.
- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results.
- Field trip planning should be reviewed to ensure established fees for OEEP are commensurate with trip expenses.

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 Unit within 30 calendar days of this report, with a copy to Mrs. Elizabeth L. Thomas, director of school support and improvement of middle schools. In your response, please share a detailed plan for addressing these issues including appropriate staff training and support. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:lsh

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

Mr. Tallur

Mrs. Thomas

Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

School: *Rocky Hill Middle School*

Principal: *Cynthia Eldridge*

Fiscal Year: *FY17*

Associate
Superintendent: *Darryl Williams*

Director: *Elizabeth Thomas*

Strategic Improvement Focus:

As noted in the financial audit for the period 4/1/14- 10/31/16 strategic improvements are required in the following business processes :

- Daily records and deposits
- Financial specialist's availability to staff
- Sponsor completion reports
- Procurement processes

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
1. Ensure purchase requests are approved by principal prior to procurement.	Financial assistant	N/A	<p>Memo to staff in January 2017 (and at pre-service meetings) about forms (280-54).</p> <p>Memo with pre-approval will be given to the building service manager and ILT leaders.</p> <p><i>(Memos: \$100 building services manager; \$50 for media specialist/intervention team leader/grade level team leaders and \$100 for OEEP coordinator.)</i></p>	Principal will send memos and also submit to OSSI director.	<p>In progress.</p> <p>Memo forwarded to OSSI director.</p> <p>In progress.</p> <p>Memos forwarded to OSSI director.</p>
2. Ensure proper documentation is attached to support disbursement.	Financial assistant	N/A	<p>New overview of list of the guidelines will be shared with staff via memo in January 2017 (and at pre-service meetings).</p> <p>Financial specialist will email staff (and cc: principal) a reminder after the order is placed and follow up to receive the invoice.</p> <p>Individual meetings will be held with staff who do not comply with the guidelines.</p>	<p>Principal will send memos and also submit to OSSI director.</p> <p>Financial assistant (ongoing) and then shared at financial meetings.</p> <p>Financial assistant will document in email and principal will meet with any staff not in compliance.</p>	<p>Completed.</p> <p>Memo forwarded to OSSI director.</p>

3. Ensure confirmation of receipt of goods prior to disbursement	Financial assistant	N/A	<p>Financial specialist must receive all items and collect the invoices for every purchase.</p> <p>Financial specialist will email staff (and cc: principal) a reminder after the order is placed and follow up to receive the invoice.</p> <p>Individual meetings will be held with staff who do not comply with the guidelines.</p>	<p>Memo to staff about invoice follow up.</p> <p>Financial assistant will document in email and principal will meet with any staff not in compliance.</p>	Ongoing based on ordering.
4. Ensure contracts involving liability/risk of injury are approved before event is confirmed.	Principal	N/A	No further moonbounces will be used ordered by the school. (Event is no longer being held.)	No further moonbounces will be used ordered by the school. (Event is no longer being held.)	No further moonbounces will be used ordered by the school. (Event is no longer being held.)
5. Seek approval from ethics officer about MCPS employee's business (Sprites, Inc.)	Principal	N/A	See attachment.	Vendor is MCPS approved.	Vendor is MCPS approved.
6. Ensure change accounting complies with MCPS requirements.	Financial specialist	Financial specialist training dates.	Financial specialist will attend training.	Financial specialist will sign up and give PDO confirmation to principal.	Successful completion of financial specialist course.

7. Ensure fundraiser completion reports (prepared by field trip sponsors) provide sufficient information to analyze results.	Principal/ Financial specialist	<p>Spreadsheet that shows where we are in the process for ALL current field trips, fundraisers and sponsor reporting.</p> <p>Financial assistant will change hours to be available for teachers for deposits/questions after the school day has ended.</p>	<p>Sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip</p> <p>Financial specialist will have regular meetings with anyone sponsoring an activity that involves collecting money to track their progress and catch any issues during that time. Meetings will be held DAILY during money collection periods. If a staff member is not following the outlined procedure then financial specialist will notify principal (via email) immediately.</p>	<p>Financial specialist (ongoing) and monthly financial specialist/principal Review of Financials meeting.</p> <p>Pre-service overview for all staff.</p>	See attached spreadsheet.
8. Review OEEP account and have sponsor create budget for OEEP.	Principal/6 th grade OE coordinator.	Sample budget from another middle school.	Budget and plan for OEEP for 2017-2018.	<p>Principal/6th grade OE coordinator:</p> <p>Budget and plan for OEEP for 2017-2018.</p> <p>(Summer 2017)</p>	Budget and plan for OEEP for 2017-2018.

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

☒ Approved

☐ Please revise and resubmit plan by _____

Comments: _____

Director: _____

Date: _____

2/2/17

DAILY COLLECTION SHEET

FIELD TRIP:

SPONSOR

BEGIN COLLECTION

END COLLECTION

Date	Sponsor Initials/FS Initials	Amount Received	Received to date	Memo
2/1/17				
2/2/17				
2/3/17				
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2/27/17				
2/28/17				

FIELD TRIP UPDATE STEP PROCESS 2017

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