


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

August 3, 2020

MEMORANDUM

To: Mrs. Keely R. Cooke, Principal
Rosemont Elementary School

From: Mary J. Bergstresser, Acting Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2016, through June 30, 2020

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 and 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 July 23, 2020, virtual meeting with you; Mrs. Brooke L. Simon, assistant principal; and Mrs. Karen M. Melara, school administrative secretary, we reviewed the prior audit report dated January 26, 2017, 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 process of interconnected policies, regulations, and procedures, as well as employees' attitudes and actions 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 (refer to the *MCPS Financial Manual*, chapter 20, page 4). We noted an absence of controls over IAF operations resulting in

untimely bank deposits, as well as poor maintenance of financial records. You must initiate a monitoring process to enforce IAF policies, regulations, and procedures in order to promote timely and accurate reporting of data. Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, bank reconciliation report, and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date. We found no indication that these important reviews were completed consistently during our audit period. We recommend that you initiate a process that ensures this important internal control process occurs monthly (refer to the *MCPS Financial Manual*, chapter 20, page 9).

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 the *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 and the school administrative secretary must stamp the documentation as "paid". Disbursements made by Automated Clearing House (ACH) drawn on the school's IAF bank account, regardless of the documentation that approved the procurement of goods and services, are required to be approved by the principal using MCPS Form 280-54, with a summary spreadsheet detailing the IAF account(s) to be charged, prior to expenditure of funds (refer to the *MCPS Financial Manual*, chapter 20, page 6). In our sample of disbursements, we found instances in which controls over purchases were weakened that included MCPS Form 280-54 not signed to show approval by the principal prior to procurement, and not prepared when paying MCPS iReceivables. In addition, documentation supporting purchases was not stamped or marked "paid," and documentation was not annotated by recipient to indicate purchased goods or services were satisfactorily received. 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 and signed by you at the time verbal approval is sought and when paying iReceivables and that all documentation be stamped or marked "paid" and staff indicate if all items or services were received satisfactorily.

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the school administrative secretary. These receipts should 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). In order to properly control receipts, they must be counted in the presence of the remitter and a receipt issued. Remittances received must, in turn, be promptly deposited into the school's bank account. We noted in our audit that the school administrative secretary was not making timely deposits, was holding money in excess of permitted amounts, and was not issuing a receipt to sponsors. Large and infrequent deposits increase the possibility of loss of funds, as well as decrease the school's ability to fund activities. To minimize the risk of loss or theft and provide availability of funds to meet school needs, all funds collected must be remitted to the school administrative secretary daily for prompt deposit. In addition, all remittances on hand must be deposited before each weekend or holiday, and a receipt must be issued.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We found that there was a lack of adherence to these guidelines. 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. Each fund raiser must be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund-raising activity must be recorded in a separate account in the 7000 series and a completion report prepared that analyzes the results (refer to the *MCPS Financial Manual*, chapter 20, page 13).

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Student Organization Trips*. Sponsors of field trips must 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, must 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 the *MCPS Financial Manual*, chapter 20, page 10). We found that sponsors were providing complete data at the conclusion of each trip, but this data could not be located during our audit. We found that this data was not being compared to the final account history report in order to reconcile the trip. All sponsors must be required to use MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and follow the procedures outlined above, and this data must be filed for audit purposes.

Notice of Findings and Recommendations

- Monthly financial reports must be 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 and receipts must be stamped "paid" (**repeat**).
- Cash and checks (funds) remitted by sponsors must be promptly receipted and deposited in the bank by the school administrative secretary in accordance with Chapter 7 of the *MCPS Financial Manual* (**repeat**).
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate and administrative secretary must reconcile funds collected with account history report and retain on file (**repeat**).

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 Teaching, Learning, and Schools.

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 administrative secretary to support you with developing a well-defined plan to address the findings.

MJB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Johnson

Dr. Wilson

Mrs. Ahn

Mr. Koutsos

Mrs. Camp

Mrs. Chen

Dr. Morrow

Mr. Reilly

Mr. Marella

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2021	Fiscal Year: 2021
School: Rosemont ES - 555	Principal: Keely R. Cooke
OSSI Associate Superintendent: James Koutsos	OSSI Director: Adrienne Morrow
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>12/1/16 - 6/30/20</u>, strategic improvements are required in the following business processes :</p> <p>Independent Activity Funds Request for a Purchase, Guidelines for Sponsoring an Independent Activity Fund Raiser, Field Trip Accounting, Monthly financial reports</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchase Requests: Requests must be approved by the principal prior to procurement. Upon verbal approval, Form 280-54 will be prepared and signed by both requesting staff and the principal.	Principal	Form 280-54	Staff Weekly Bulletin Receipts of purchases	Before each purchase Admin Sec. Principal	Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver.
Purchase Requests: At the time of delivery, purchaser will confirm receipt of order items, and inform Admin. Secretary of order accuracy prior to disbursement. When paying iReceivables all documentation will be stamped "paid" and staff indicate if all items were received satisfactory.	Admin Secretary		iReceivables receipts	Before and After each purchase Admin Sec.	Financial Management System –Receiving Weekly Staff Bulletin Staff Handbook reviewed during preservice.
Activity Funds: Cash collected by sponsors will be counted in front of the administrative secretary and documented using form 280-34. Admin. secretary will sign form as documentation of receipt and sponsors will make a copy of the signed form for their records. Cash will be submitted on a daily basis. Admin. secretary will deposit promptly	Admin. Secretary Principal	Form 280-34	Receipts of funds submitted and bank deposit statements	Admin Sec.	All receipts will be deposited by the last working day of each month and before each weekend or holiday.
Review monthly bank statements, bank reconciliation report, and ledger reports monthly, signed and dated by principal	Principal Admin. Sec Visiting Bookkeeper	All reports printed each month	Financial reports filed by month	Monthly Principal Admin. Sec	All financial reports will be signed and dated by principal to indicate review

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Field Trips: Sponsors will provide complete class or club rosters and note how much each student has paid, to include the date, and any waivers or scholarships for students. Also, sponsors will include if a student is not attending the trip or activity.	Sponsors Admin Sec.	Form 280-41	Inform all staff during preservice and create detailed instruction in Staff Handbook	As needed Admin. Sec	All lists will be filed in a Field Trip binder
Field Trips: Upon completion of each trip, the class list plus volunteers and chaperones will be provided to the admin. secretary and compared to the remittances recorded in the trip account history report and filed.	Admin Sec. Trip Sponsor	Form 280-41		Monthly by Admin. Sec.	All trips will be reconciled and forms will be filed in designated binder.
Fund Raiser: Each fundraiser will be approved by the principal in writing and approval will be retained in the school office. Activities will be recorded for each activity in a separate account (7000 series) and a completion report will be prepared that analyzes the results.	Sponsor Admin Sec Principal	Completion Report	activities recorded in separate accounts (7000 series) Completion report	After each activity/event	Written approval and completion report filed in office - Fund Raiser Binder

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved <input type="checkbox"/> Please revise and resubmit plan by <u>MJS 8/18/2020</u>	
Comments:	
Director: <u>Adrienne L. Thomas</u>	Date: <u>8/18/2020</u>