


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

November 24, 2014

MEMORANDUM

To: Mrs. Tamisha L. Sampson, Principal
Sargent Shriver Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2010, through September 30, 2014

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 November 20, 2014, with you, and Ms. Kathryn DiGiulian, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated November 22, 2010, 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 the individual who has overall fiduciary responsibility for the IAF. This responsibility includes implementing effective internal controls to monitor the performance of school staff to ensure their activities are in compliance with MCPS policies, regulations, and

procedures. We found a serious lack of financial compliance as evidenced by the untimely deposit of funds in the bank, delays in issuing receipts to sponsors, issuing receipts out of numerical sequence, account transfers of funds not approved, recording receipts and expenditures in improper accounts, inadequate monitoring of cash balances, and the lack of management review of accounts on a monthly basis. We noted that some transactions were not classified properly in appropriate accounts making it difficult to evaluate the results of activities, and may allow a loss to go undetected. When properly implemented, internal controls are designed to protect IAF financial integrity. We recommend you initiate a monitoring process to ensure accurate reporting on a monthly basis so that management decisions are based on accurate information.

The principal is to receive and review 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 that these important reviews were not 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. 20-8).

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account history report for each month in which transactions have been recorded in their account. We found this essential internal control procedure was not always being used. We recommend sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the statements should be signed and dated by the sponsor to attest to their accuracy. The administrative secretary should establish a procedure to ensure all statements are reviewed and returned on a monthly basis (see MCPS Financial Manual, p. 20-9).

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly and intact to the administrative secretary together with MCPS Form 280-34, *IAF Remittance Slip*. Cash should be counted in the presence of the remitter, and a receipt that is supported by Form 280-34 should be issued promptly. We found these essential controls were not practiced increasing the likelihood of disagreements between sponsors and the administrative secretary. We noted instances in which there was a delay in issuance of receipts including some that were prepared weeks after funds were deposited in the bank, receipts that were issued out of sequence and deposits that were not made timely. Any misprinted receipts should be entered into the accounting system, and all parts of any voided receipt forms should be defaced and retained. In order to improve control over funds received, we recommend that you ensure the administrative secretary has sufficient time to process receipts when funds are received from sponsors, acknowledge receipt of funds on Part II of MCPS Form 280-34, prepare the daily deposit summary, and deposit the funds on a daily basis.

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 expenditures comply with IAF requirements. In our sample of disbursements, we again found that prior approval was not consistently obtained, some disbursements did not have adequate documentation to fully explain the reason for the expenditure, supporting documentation was not stamped paid, and invoices were not always signed by the receiver. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by the principal at the time verbal approval is sought. You may make approvals via electronic e-mails provided that you attach them to Forms 280-54 as documentation of pre-approval. We also recommend that all documentation supporting the disbursement be attached to the 280-54 and stamped "paid" to prevent duplicate payments.

Sponsors of field trips should 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 should be provided to the administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report. We again found that not all sponsors are providing completed data at the conclusion of each trip, and that data is not being compared to the final account history report. We also found instances in which fees collected and bus expenditures were recorded in accounts unrelated to the trips that made reconciliation impossible. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip. We further recommend that fees collected and trip expenditures be recorded in proper accounts (see MCPS Financial Manual, p. 20-9).

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 should be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund-raising activity should be recorded in a separate account and a completion report prepared that analyzes the results (see MCPS Financial Manual, p. 20-12). The profit from the fund-raiser should be transferred to the account for which the funds are raised.

The yearbook sponsor is required to keep detailed records of the number of books sold, the price charged as well as the number of books distributed free of charge (see MCPS Financial Manual, p. 20-11). The records kept by the yearbook sponsor did not enable us to reconcile the number of books purchased with the number sold, given free, and the remaining inventory. We were therefore unable to determine that all funds generated from this activity had been remitted. We recommend the yearbook sponsor be counseled and assisted with the record-keeping required for this activity. The yearbook contract approved by the principal indicating the number of copies and cost should be maintained by the administrative secretary.

Summary of Recommendations

- IAF must be managed in accordance with sound accounting practices and effective internal control procedures;
- Accounting transactions must conform to the IAF chart of accounts;
- Monthly financial reports must be reviewed, signed, and dated by the principal to indicate review;
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the financial agent;
- 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 (repeat);
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser* (repeat); and
- Yearbook profit or loss statement must be prepared by the sponsor to account for all activity (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 Ms. Bronda L. Mills, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:WKH:sd

Copy to:

Mr. Bowers
Dr. Navarro
Dr. Statham
Mr. Sanderson
Ms. Mills
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

Bronda A Mills 1/7/15
Tamisha A. Sampson 11/7/15



SARGENT SHRIVER ELEMENTARY SCHOOL

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December 2, 2014

Office of the Principal

MEMORANDUM

To: Ms. Bronda Mills, Associate Superintendent
CESC, Room 100

From: Tamisha Sampson, Principal
Sargent Shriver Elementary School

Subject: Response on Audit of Independent Activity Funds for the Period October 1, 2010, through September 30, 2014.

According to the audit notes provided by Roger Pisha on November 24th, 2014 to myself, I am glad to inform you that we are implementing best practices and the established Montgomery County Public Schools (MCPS) policies related to the management of Independent Activity Funds.

Ms. DiGiulian has been monitoring all incoming IAF deposit slips for accurate account information, depositing monies daily, and entering the corresponding information into SFO.

A monthly meeting between the Principal and the bookkeeper has been established to ensure that all reports going forward will be reviewed, signed, and dated.

A procedure has been established to ensure timely distribution of sponsor reports to be signed, returned, and filed.

Ms. DiGiulian has created monthly folders for field trips and will be collecting form 280-34 daily from teachers with all monies they have received. At the end of each month form 280-41 will be collected and matched against 280-34's collected throughout the month.

Fundraiser sponsors will receive the appropriate approval documentation requiring a signature from the Principal prior to the start of any/all fundraisers.

A procedure has been established to ensure the yearbook sponsor will prepare a statement of profit or loss to be reviewed by Ms. Sampson.

If you have any questions, please do not hesitate to contact me.

TLS:kld

Fiscal Management Action Plan

School: Sargent Shriver Elementary School
 Approved by associate superintendent: 

Principal: Tamisha Sampson
 Date of approval: 7/15/13 

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.	The IAF account will be monitored closely and regularly by Ms. DiGiulian, Administrative Secretary, Ms. Sampson, Principal, and Ms. Issac, Bookkeeper, to ensure sound accounting practices going forth. Ms. DiGiulian will maintain accurate records and make daily deposits, as well as being in constant communication with Ms. Sampson so she can be updated on all accounts and approve any transfers that may take place.	Ongoing monthly review.	Ms. DiGiulian will make time each month to review accounts with Ms. Issac to ensure proper management and understanding of accounts.
Accounting transactions must conform to the IAF chart of accounts.	Ms. DiGiulian will review all IAF deposits slips for accuracy of account numbers and ensure the correct account is listed and then deposit all monies into the corresponding account in SFO.	Will be completed daily, ensuring the most accurate accounting.	Prior to each visit with the bookkeeper, Ms. DiGiulian will review all SFO entries and IAF deposit slips to ensure funds being deposited correctly.
Monthly financial reports must be reviewed, signed, and dated by the principal to indicate review.	Ms. Issac will meet with Ms. Sampson monthly after she has run her reports. Ms. Issac and Ms. Sampson, along with Ms. DiGiulian, will review all reports and Ms. Sampson will sign and date all reports at the conclusion of each meeting.	Ongoing monthly review.	Once reports are signed by Ms. Sampson they will be filed in the schools records room and maintained in a 'Reports' binder to remain accessible for future review.
Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the financial agent.	Ms. DiGiulian will receive sponsor reports from Ms. Issac monthly and immediately distribute to Sponsors. Once sponsor reports have been signed, they will be collected by Ms. DiGiulian, reviewed by Ms. Sampson, and filed monthly.	Ongoing monthly review.	Once reports are signed by sponsors they will be filed in the schools records room and maintained in a 'Sponsor Reports' binder to remain accessible for future review.
Field trip records prepared sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip.	Ms. DiGiulian creates a folder for every field trip in a fiscal year. The Field Trip Accounting form 280-41 is submitted at the end of the field trip by sponsors. Ms. DiGiulian will receive all fees with form 280-34 daily.	Ongoing monthly review.	Once reports are signed by field trip sponsors and form 280-41 has been submitted, they will be filed in a 'Field Trip' binder located in the main office.

Fund-raising must conform to Guidelines for Sponsoring an IAF Fund Raiser.	Ms. DiGiulian will ensure that the paperwork is submitted to Mrs. Sampson for prior written approval. Ms. DiGiulian will work with Ms. Issac to show Ms. DiGiulian and to prepare and complete the report that analyzes the result. The report will be retained in the main office for Sponsoring an IAF Fund Raiser.	Ongoing, to be completed at the time of new fundraising requests.	When a new fundraising event has been approved, it will be filed in a 'Fundraising' binder located in the main office.
Yearbook profit or loss statement must be prepared by the sponsor to account for all activity.	Yearbook sponsor, undetermined at this time, will prepare a profit or loss statement that accounts for all yearbooks sold, donated, and given away. This profit and loss statement will be reviewed by Ms. DiGiulian as well as Ms. Sampson.	Completed by the end of each fiscal year.	After the completion of the yearbook sales, Ms. Sampson will review profit and loss statement which will be retained in a 'Yearbook' folder located in the main office.

Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.