


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

June 29, 2016

MEMORANDUM

To: Mrs. Zoraida E. Brown, 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, 2014 through May 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 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 20, 2016, with you and Ms. Sonya James, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated November 24, 2014, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2015, and that of your administrative secretary was effective August 3, 2015. 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

Transfers of funds between general ledger accounts may be made only after MCPS Form 281-46, *IAF – Transfer*, has been executed by both the account sponsor and the principal. They must be fully documented and adhere to MCPS guidelines. We found instances when Forms 281-46 had not been signed by the sponsor as required, signature dates had been prefilled, and the description did not adequately describe the purpose of the transfer. To improve internal controls, we recommend that transfers be executed by the administrative secretary only after transfers have been properly

completed; including a description of transfer, sponsor signature, and signature of the principal, indicating approval (see MCPS Financial Manual, p. 20-10).

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. 20-4). 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. Documentation supporting purchases must be stamped or marked "paid" once the check has been written. In our sample of disbursements, we found prior approval was not always obtained prior to purchase, some disbursements were missing Form 280-54 for approval, some did not have adequate documentation to fully explain the reason for the expenditure, invoices were not always signed by the receiver and supporting documentation was not always stamped or marked "paid" once the check had been processed. 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, and that complete documentation be attached to fully explain the reason for the purchase. Documentation should be stamped or marked "paid" once processed to eliminate the possibility of a duplicate check being written.

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 with MCPS Form 280-34, *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. Any misprinted receipts should be entered into the accounting system, and all parts of any voided receipt forms should be defaced and retained. We found instances in which the previous administrative secretary was not entering receipts into the software program until weeks later. When the current administrative secretary first started she was printing receipts on paper instead of on receipt stock and got the receipt numbers out of order. We noted that several voided receipts were not entered into the accounting system and that the receipt numbers had gaps and were out of order. At times the administrative secretary would enter receipts and prepare the deposit, but not take the money to the bank until the next business day. Money was occasionally held over the allowable limits and over weekends. To improve controls, we recommend adoption of the procedures in the IAF manual (Chapter 7).

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. We found that not all sponsors are submitting a fund-raiser request form for your approval to conduct an activity and some of those that did used outdated forms that didn't have the analysis section. Many sponsors are not submitting a completion report at the conclusion of the activity so that results could be evaluated and no one completed the analysis section of the completion report. Some fund-raisers were not recorded in the proper accounts, a dance charged admission but did not use tickets for accountability, and cash was used to reimburse staff for items purchased. We recommend that MCPS fund-raising procedures be followed to provide accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the activity. A completion report for an activity involving the sale of items should include the total number of items for sale and cost of each, selling prices, and any remaining inventories to determine whether all sums collected were remitted to the administrative secretary.

Summary of Recommendations

- Transfers of funds between accounts should be fully documented and authorized;
- Purchase documentation must be adequate to support disbursements;
- Purchaser must confirm receipt of goods or services prior to disbursement;
- Purchase invoices and receipts must be annotated as "paid" to indicate disbursement was made;
- Cash control of school funds must be in accordance with chapter 7 of the MCPS Financial Manual;
- Receipts should be used in order and if voided must be defaced and retained;
- Funds remitted by sponsors must be promptly verified, receipted, and deposited to bank; and
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund-Raiser* (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 Mrs. Cheryl Smith, director of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:SY:rp

Copy to:

Dr. Zuckerman
Dr. Statham
Dr. Navarro
Dr. Kimball
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit
Mrs. Smith

July 8, 2016

Internal Audit Office
Upcounty Regional Services Center,
Room Suite 3380
Germantown 20874

Dear Mr. Roger W. Pisha,

I hope this letter finds you well.

As a result of the findings in our Internal Audit, I developed a Fiscal Management Action Plan to address the concerns recorded. The Fiscal Management Action Plan, Attachment A, lists the findings and recommendations and describes how the concerns will be addressed.

In addition, the following steps will be planned and implemented to address the procedures and guidelines aligned in the MCPS Financial Manual, specifically Cash Handling, Chapter 7: Cash Control of School Funds and Funding Sources, Chapter 20: Independent Activity Funds:

- Summer meetings will be scheduled with the administrative secretary to review procedures guidelines in the MCPS Financial Manual.
- Reminders about the procedures and guidelines located in the MCPS Financial Manual will be included in the staff bulletins.
- Staff trainings will be conducted during preservice week and the 2nd semester of the school year to revisit procedures and guidelines in the MCPS Financial Manual.

Thank you for your support.

Respectfully,

Zoraida E.
Brown

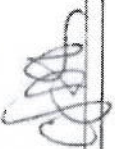
Zoraida Brown
Principal

Digitally signed by Zoraida E. Brown,
DN: cn=Zoraida E. Brown, o=Sargent
Shriver Elementary School, ou=MCPS,
email=zoraida_e_brown@mcpsmd.org,
c=US
Date: 2016.07.13 09:25:37 -0400

Fiscal Management Action Plan

School: Sargent Shriver Elementary School

Principal: Zoraida E. Brown

Approved by Associate Superintendent of Elementary Schools: 

Date of approval: 07.13.16

<u>Findings and Recommendations of School's Financial Report</u>	<u>Description of Resolution & Person(s) Responsible</u>	<u>Timeline</u>	<u>Evidence of Completion</u>
<p>1. Transfers of funds between accounts should be fully documented and authorized.</p>	<p style="text-align: center;"><u>Transfers</u></p> <p><u>Action Plan:</u></p> <ul style="list-style-type: none"> Will adopt the procedures for transferring between general ledger accounts in the MCPS Financial Manual, Funding Sources, Chapter 20: Independent Activity Funds, page 20-12 <ul style="list-style-type: none"> Summer meetings will be scheduled with the administrative secretary to review procedures for transferring between ledger accounts. Staff trainings will be conducted during preservice week and the 2nd semester of the school year about transferring between ledger accounts. Use MCPS Form 281-46 (Independent Activity Funds – Transfer Form) to transfer funds between general ledger accounts <ul style="list-style-type: none"> MCPS Form 281-46 should be signed and dated by the account sponsor, administrative secretary, and principal. Transfers are signed by the sponsors and approved by the principal <ul style="list-style-type: none"> The administrative secretary will execute transfers (MCPS Financial Manual, Funding Sources, Chapter 20: Independent Activity Funds, page 20-12. Ensure transfers are recorded in the ledger accounts in which funds were taken and transferred to other ledger accounts <ul style="list-style-type: none"> Administrative Secretary will provide a reason and description for funds being transfer. <p><u>Person(s) Responsible:</u></p> <ul style="list-style-type: none"> Principal Administrative Secretary 	<p>Preservice</p> <p>2nd Semester</p> <p>Daily</p> <p>As Needed</p>	<p>Use MCPS Form 281-46 Independent Activity Funds – Transfer Form</p> <p>Approved by Principal</p> <p>Signed and dated by Account Sponsor, Administrative Secretary & Principal</p>

Fiscal Management Action Plan

Account Sponsors			
Disbursements			
<p>1. Purchase documentation must be adequate to support disbursements.</p> <p>2. Purchaser must confirm receipt of goods or services prior to disbursement.</p> <p>3. Purchase invoices and receipts must be annotated as "paid" to indicate disbursement was made.</p>	<p><u>Action Plan:</u></p> <ul style="list-style-type: none"> Will adopt the procedures for requesting a purchase in the MCPS Financial Manual, Funding Sources, Chapter 20: Independent Activity Funds, page 20-4 <ul style="list-style-type: none"> Summer meetings will be scheduled with the administrative secretary to review procedures for requesting purchases. Reminders for requesting purchases will be included in the staff bulletin. Staff trainings will be conducted during preservice week and the 2nd semester of the school year about requesting purchases. Use MCPS Form 280-54 (Request for a Purchase) to obtain the principal's approval in order to proceed with purchases (MCPS Financial Manual, Funding Sources, Chapter 20: Independent Activity Funds, page 20-4) Ensure each disbursement is properly recorded in its appropriate account, including a description of the expenditures, and complies with Independent Activity Fund (IAF) requirements <ul style="list-style-type: none"> Documentation will be attached to MCPS Form 280-54 to support what was purchased prior to issuing a check. The purchaser must sign the invoices for goods and services to acknowledge receipt. The principal will approve disbursement of funds upon submission of signed invoices and receipts. After the check is issued, documentation supporting purchases, including checks, must be marked or stamped "PAID" to prevent duplicate payments. <ul style="list-style-type: none"> Purchase a "PAID" stamp with signature and date Documents will be filed with disbursements for the month. Ensure staff does not use cash for purchases Ensure MCPS Form 280-54 is prepared by staff and signed by the principal at the time of verbal approval <ul style="list-style-type: none"> Documentation and explanation of purchases will be included at the time of the verbal approval. 	<p>Preservice 2nd Semester</p> <p>Daily As Needed</p>	<p>Use MCPS Form 280-54 Requesting for a Purchase</p> <p>Approved by Principal</p> <p>Signed and dated by Remitter, Account Sponsor, Administrative Secretary & Principal</p>

Fiscal Management Action Plan

	<ul style="list-style-type: none"> A staff member who does not secure advance approval from the principal will not receive reimbursement for purchases. <p><u>Person(s) Responsible:</u></p> <ul style="list-style-type: none"> Principal Administrative Secretary Account Sponsor Remitter 		
<ol style="list-style-type: none"> Cash control of school funds must be in accordance with chapter 7 of the MCPS Financial Manual. Receipts should be used in order and if voided must be defaced and retained. Funds remitted by sponsors must be promptly verified, receipted, and deposited to the bank. 	<p><u>Action Plan:</u></p> <ul style="list-style-type: none"> Will adopt the procedures of cash controls in the MCPS Financial Manual, Cash Handling, Chapter 7: Cash Control of School Funds <ul style="list-style-type: none"> Summer meetings will be scheduled with the administrative secretary to review procedures of cash controls. Reminders for cash collection procedures will be included in the staff bulletin. Staff trainings will be conducted during preservice week and the 2nd semester of the school year about reviewing procedures for cash collection procedures. Use MCPS Form 280-34 (Remittance Slip) to record cash and checks collected by account sponsors Verify the money recorded on remittance slips matches funds remitted <ul style="list-style-type: none"> The administrative secretary will count the cash in the presence of the remitter and a receipt supporting the MCPS Form 280-34 will be issued to the remitter. The administrative secretary will: <ul style="list-style-type: none"> Enter receipts daily in the School Funds Online Use receipt stock <ul style="list-style-type: none"> The administrative secretary will house unused receipt stock in the safe Ensure receipt numbers are used in order Ensure misprinted receipts are entered into the accounting system <ul style="list-style-type: none"> The administrative secretary will: 	<p>Preservice</p> <p>2nd Semester</p> <p>Daily</p> <p>As Needed</p>	<p>Use MCPS Form 280-34 Remittance Slip</p> <p>Approved by Principal</p> <p>Signed and dated by Remitter, Administrative Secretary & Principal</p>

Fiscal Management Action Plan			
	<ul style="list-style-type: none"> Deface and retain all voided receipt forms <ul style="list-style-type: none"> Purchase a "VOID" stamp with signature and date Enter voided receipts into the accounting system Deposit funds into the bank daily <ul style="list-style-type: none"> The administrative secretary can hold \$250 of cash and checks in the safe but not over the weekend, holiday, or end of the month. Remind staff that all funds collected are remitted daily to the administrative secretary <p><u>Person(s) Responsible:</u></p> <ul style="list-style-type: none"> Principal Administrative Secretary Remitter 		
Fund Raiser			
1. Fundraising must conform to Guidelines for Sponsoring an LAF Fundraiser.	<p><u>Action Plan:</u></p> <ul style="list-style-type: none"> Will adopt the Guidelines for Sponsoring an Independent Activity Fund Fund Raiser in the MCPS Financial Manual, Fund Raisers <ul style="list-style-type: none"> Summer meetings will be scheduled with the administrative secretary to review procedures for fundraising. Reminders for sponsoring an Independent Activity Fund fundraiser will be included in the staff bulletin. Staff trainings will be conducted during preservice week and the 2nd semester of the school year about fundraising. Record all fundraisers under the 7000 series of the Chart of Accounts: School Funds Online (MCPS Financial Manual, Fund Raisers, Chapter 20: Independent Activity Funds, page 20-25) Use updated Fundraiser Request Forms <ul style="list-style-type: none"> A Fundraiser Request Form will be prepared by staff and approved by the principal. Use updated Fundraiser Completion Reports 	<p>Preservice</p> <p>2nd Semester</p> <p>Daily</p> <p>As Needed</p>	<p>Use Fundraiser Request Form</p> <p>Use Fundraiser Completion Reports</p> <p>Record Fundraiser under 7000 Series</p> <p>Approved by Principal</p> <p>Signed and dated by Account Sponsor, Administrative Secretary & Principal</p>