


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 4, 2019

MEMORANDUM

To: Mrs. Zoraida E. Brown, Principal
Sargent Shriver Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
June 1, 2016, through March 31, 2019

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, 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 May 23, 2019, meeting with you and Mrs. Njeri D. Williams, assistant principal, we reviewed our prior audit report dated June 29, 2016, 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 management of IAF must be in accordance with good business practices that include sound accounting and internal control procedures. The most important internal control over the handling of funds is the separation of duties so that no one person controls all aspects of a process from start to finish (refer to *MCPS Financial Manual*, chapter 7, page 3). We found that adequate procedures were not in place for proper control and oversight of the yearbook account. As a result, we noted that the school administrative secretary was assigned the tasks of collecting

yearbook payments from students, recording payment transactions in the automated accounting system, and making bank deposits of yearbook receipts without any separation of duties. We recommend that you initiate a process that ensures this important internal control process is followed.

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain the principal's approval to proceed with an intended purchase. After acquisition, the purchaser should submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the school administrative secretary. Upon disbursement, the documentation is to be stamped or marked "paid" to preclude duplicate payment (refer to *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal, receipts were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received, and invoices supporting purchases were not stamped or marked "paid." We recommend that the IAF purchases comply with MCPS procedures.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Student Organization Trips*. Trip approval forms should be signed by the principal, and the director of learning, achievement, and administration, when required, and retained for future reference. 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, together with a list of all chaperones and volunteers, should be provided to the school administrative secretary at the completion of each trip and compared to remittances recorded in the trip account history report. We 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 recommend that all sponsors be required to use MCPS Form 280-41, *Field Trip Accounting*, or equivalent and follow the procedures outlined above.

Summary of Recommendations

- IAF must be managed in accordance with sound accounting practices and effective internal control procedures.
- 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 invoices must be annotated as "paid" to indicate disbursement was made (**repeat**).
- Field trip records that are 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.

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 Mrs. Jennifer L. Webster, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mrs. Webster 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.

RWP:AMB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Morris

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Reilly

Mr. Tallur

Mrs. Webster

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: June 4, 2019 - FY19	Fiscal Year: June 4, 2019 - FY19
School: Sargent Shriver ES - 779	Principal: Zoraida Brown
OSSI Associate Superintendent: Diane Morris	OSSI Director: Jennifer Webster
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>06/01/16-03/31/1</u>, strategic improvements are required in the following business processes :</p> <p>(1) Separation of Duties, (2) Disbursement of IAF, and (3) Field Trips</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Separation of Duties *Ensure that there are at least two individuals using adequate procedures that involve collecting yearbook payments so the yearbook vendor can pick up the funds from the school.	Zoraida Brown Flor Lopez Sharon Perez Teachers	MCPS Financial Manual: Chapter 7 School Safe	Recording Form (Google Sheets)	Zoraida Brown Flor Lopez Sharon Perez Teachers	*Yearbook funds will be given to the vendor using procedures to collect yearbook funds. *Teachers will use a Record Form.
Disbursement of IAF *The principal will approve all purchasing requests prior to procurement, the purchaser will confirm receipt of goods and services prior to disbursement, and purchase invoices must be marked as "paid" to show disbursement was made.	Zoraida Brown Flor Lopez Staff	MCPS Financial Manual: Chapter 20	IAF Request for a Purchase (280-54)	Zoraida Brown Flor Lopez Staff	*Teachers will correctly follow all disbursement procedures of the IAF.
Field Trip *Provide professional development to the staff regarding the procedures and guidelines in the MCPS Financial Manual, particularly information about Field Trips.	Zoraida Brown Flor Lopez Teachers	MCPS Financial Manual: Section Field Trips	Field Trip Accounting Form (280-41) IAF Remittance Slip (280-34)	Zoraida Brown Flor Lopez Teachers	*Teachers will correctly complete all field trip forms to include students who did not attend or received waivers and a list of chaperones/volunteers.

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

Approved
 Please revise and resubmit plan by _____

Comments: _____

Director: 
 Date: 6/20/19