MEMORANDUM

To: Mrs. Diantha R. Swift, Principal
   Sligo Creek Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
         May 1, 2015, through April 30, 2018

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 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 June 20, 2018, meeting with you, and Ms. Vanessa L. Terry, school administrative
secretary, we reviewed our prior audit report dated June 11, 2015, 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 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. We also noted instances of receipts 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.

To properly control funds, all cash and checks collected by sponsors for IAF activities should be remitted promptly to the school administrative secretary. These funds should then be verified in the presence of the remitter, and a receipt that is supported by MCPS Form 280-34, Independent Activity Fund (IAF) Remittance Slip, should be issued promptly (refer to MCPS Financial Manual, chapter 7, page 4). We found instances in which funds were held by sponsors rather than being remitted in a timely manner to the school administrative secretary on a daily basis, and not always promptly deposited into the school’s bank account. To minimize the risk of loss and provide availability of funds to meet school needs, we recommend that all funds collected be remitted daily to the school administrative secretary for prompt deposit.

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 school support and improvement, 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

- Purchase requests must be approved by the principal prior to procurement.
- 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).
- Funds collected by sponsors must be promptly remitted to the school administrative secretary (repeat).
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the school administrative secretary.
- 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).
Other matters were discussed and satisfactorily resolved. We appreciate the cooperation and assistance of your staff. In accordance with MCPS Regulation D1A-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 Mr. Matthew A. Devan, director of school support and improvement of elementary schools. Based on the audit recommendations, Mr. Devan will indicate whether he will conduct an electronic review of your action plan or schedule a time to meet in person with you and your administrative secretary to support you with developing a well-defined plan to address the findings.

RWP:AMB:ish

Attachment

Copy to:
  Members of the Board of Education
  Dr. Smith
  Dr. Navarro
  Dr. Statham
  Dr. Zuckerman
  Mr. Civin
  Dr. Johnson
  Dr. Kimball
  Mrs. Camp
  Mrs. Chen
  Mr. Devan
  Ms. Diamond
  Mr. Reilly
  Mr. Tallur
  Mr. Ikhelou
## Financial Management Action Plan

**Report Date:** July 17, 2018

**Fiscal Year:** July 17, 2018

**School:** Sligo Creek ES - 517

**Principal:** Diantha R. Swift

**OSSI Associate Superintendent:** Diane Morris

**OSSI Director:** Jennifer Webster

### Strategic Improvement Focus:

As noted in the financial audit for the period 2015-2018, strategic improvements are required in the following business processes:

<table>
<thead>
<tr>
<th>Action Steps</th>
<th>Person(s) Responsible</th>
<th>Resources Needed</th>
<th>Monitoring Tools / Data Points</th>
<th>Monitoring: Who &amp; When</th>
<th>Results/Evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>All purchase requests will be approved by the principal prior to procurement.</td>
<td>Diantha Swift, Vanessa Terry</td>
<td>Review process in staff handbook during preservice</td>
<td>MCPS Forms 280-54 will be submitted and approved prior to purchase</td>
<td>Vanessa Terry will ensure that approval is approved prior to distribution of funds</td>
<td></td>
</tr>
<tr>
<td>When orders are received, the purchaser will check the shipment for accuracy prior to distributing to team/staff or to supplies.</td>
<td>All staff who make purchases</td>
<td>Review process and expectations during preservice</td>
<td>Inventory will be checked again when distributed and invoice will be turned in to Ms. Terry and documented that it is accurate.</td>
<td>Vanessa Terry</td>
<td></td>
</tr>
<tr>
<td>All invoices for purchases will be annotated with a stamp that they have been paid.</td>
<td>Vanessa Terry</td>
<td>Paid Stamp</td>
<td>Invoices will be maintained systematically to verify process</td>
<td>Book Keeper Vanessa Terry</td>
<td></td>
</tr>
<tr>
<td>All funds collected by sponsors will be turned in to the school administrative secretary on a daily basis with the appropriate documents.</td>
<td>Sponsors of events</td>
<td>Sponsors will be provided with detailed instructions and forms for record keeping</td>
<td>Process and system to maintain records of transactions</td>
<td>Book Keeper Vanessa Terry</td>
<td></td>
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</tbody>
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<td>Funds will be verified, receipted and deposited when the amount exceeds $250.00.</td>
<td>Vanessa Terry</td>
<td>Deposit slips</td>
<td>Deposit receipts, Bank Statements</td>
<td>Diantha Swift Monthly</td>
<td></td>
</tr>
<tr>
<td>Excel spreadsheet for each classroom will be developed to simplify and standardize the process for record keeping for field trips.</td>
<td>Debbie Cascio</td>
<td>Spread Sheet</td>
<td>Completed by Sept. 10th</td>
<td>Vanessa Terry</td>
<td></td>
</tr>
<tr>
<td>Sponsors will prepare and complete ongoing financial information for each trip and submit forms and assist in reconciling funds collected with the costs of the trip.</td>
<td>Trip sponsors</td>
<td>Field Trip packets</td>
<td>Ongoing field trip tickets, packets will be maintained in a folder in the main office</td>
<td>Book Keeper</td>
<td>Monthly</td>
</tr>
<tr>
<td>Administrative secretary and the principal will take refresher courses on School Financial Basic Training.</td>
<td>Vanessa Terry Diantha Swift</td>
<td></td>
<td>Terry- Oct. 8, 2018 Nov. 5, 2018 Swift Aug. 13, 2018 Nov. 5, 2018</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

☐ Approved  ☐ Please revise and resubmit plan by ____________

Comments:  

Director: __________________________ Date: 2/24/18