

Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

May 14, 2015

MEMORANDUM

To: Ms. Celeste D. King, Principal
South Lake Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit *MPisha*

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2012, through February 28, 2015

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 May 12, 2015, with you and Mrs. Renee Shaw, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated April 4, 2012, 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 responsible for implementation of internal controls to achieve compliance with MCPS policies, regulations, and procedures pertaining to the receipt and disbursement of funds within the school as well as ensuring the maintenance and timely preparation of monthly financial reports (see MCPS Financial Manual, p.20-8). Effective internal controls include the

receipt and review by the principal of the monthly bank statement, bank reconciliation report and ledger reports in a timely manner. Review of these documents must be evidenced by the principal's signature and date. We found that these reviews were not completed consistently during the audit period. We recommend that you initiate a process to ensure compliance with these monthly requirements (see MCPS Financial Manual, p. 20-9).

Sponsors assigned an IAF account should be provided an account history report for each month their accounts have a balance as well as when transactions are recorded. After any discrepancies are resolved, sponsors should sign and date these reports to attest to their accuracy. We again found this essential internal control procedure was not being consistently followed. We recommend that a procedure be established to ensure that these statements are issued, reviewed, signed, and returned to the administrative secretary (see MCPS Financial Manual, p. 20-9).

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 record expenditures in appropriate accounts, and to ensure that they comply with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt, and stamped or marked "paid" upon disbursement. In our sample of disbursements, we found prior approval was not consistently obtained when required for many purchases. Invoices were still not being signed by the purchaser and documentation was not marked or stamped "paid." By requiring prior written approval, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff with an estimate of intended expenditure and signed by you at the time verbal approval is sought.

Purchase card transactions were audited based upon requirements of the previous MCPS provider. Cardholders were to record purchases on transaction logs and submit them monthly with invoices and receipts attached for review and approval by the principal. Monthly summary reports were to be reviewed, signed and dated by the principal to ensure that purchases were appropriate and within established limits. We again found that purchasing card logs were not prepared and that some receipts could not be located. The current MCPS purchase card provider replaces the manual log with online transaction reconciliation. We recommend compliance with the requirements of the MCPS *Purchasing Card Users Guide*.

Sponsors should promptly remit cash and checks collected for IAF activities to the administrative secretary for joint verification, and be issued a pre-numbered receipt. Checks should be immediately endorsed "for deposit only." The verified funds should, in turn, be promptly deposited. We again found these essential control procedures were not practiced, thus increasing the potential for disagreements between sponsors and the administrative secretary. 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 and provide assurance that available funds will be fully utilized to meet school needs, all funds collected should be remitted

to the administrative secretary daily and promptly deposited (see MCPS Financial Manual, p. 7-4). We recommend compliance with control procedures for school funds.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. A separate account for each trip should be established in the IAF. Sponsors should have a complete class or club roster of student names to annotate how much each student 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 found that not all sponsors submitted complete data at the conclusion of each trip to enable this comparison. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, to record trip fees and provide complete data at the completion of each trip (see MCPS Financial Manual, p. 20-10).

Summary of Recommendations

- Monthly financial reports must be 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 administrative secretary (repeat);
- 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 and receipts must be annotated as “paid” to indicate disbursement was made (repeat);
- Purchase card activity must comply with the MCPS *Purchasing Card User’s Guide* (repeat);
- Funds collected by sponsors must be promptly remitted to the administrative secretary, verified, receipted, and promptly deposited in the bank; and
- 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.

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 Dr. LaVerne G. Kimball, associate

superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MCS:sd

Copy to:

Dr. Zuckerman

Dr. Statham

Dr. Navarro

Dr. Kimball

Mr. Sanderson

Mrs. Chen

Mrs. DeGraba

Mrs. Milwit

Fiscal Management Action Plan

School: South Lake Elementary School

Principal: Celeste King

Associate Superintendent: Dr. Kimball

Date of approval: 6/10/15

| Findings and Recommendations of School's Financial Report | Description of Resolution and Person(s) Responsible | Timeline | Evidence of Completion |
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| Monthly financial reports must be signed and dated by the principal to indicate review | Met with bookkeeper to establish a time to meet immediately upon his completion of monthly reports (Principal) | May 13, 2015 | |
| Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary | Review procedures in MCPS Financial Manual, p. 20-9 (Principal, Secretary) Provide training during pre-service to reinforce expectation to review and certify the accuracy of monthly statement and the requirement to return signed copy to administrative secretary (Secretary) | Pre-service week | Pre-service agenda and notes Signed account statements |
| | Include policy reminders in staff bulletin and quarterly leadership meetings (Principal) Administrative secretary to use the SFO system to email monthly account transactions to sponsors for review and signature; inform teachers and principal of non-compliance (Secretary) | September-May Summer and Quarterly Leadership meeting As needed | Staff bulletins Leadership meeting notes Emails send by secretary |
| | Update financial section of School Handbook with specific information, examples and forms (Secretary) | July-August 2015 | Copy of Handbook |
| Purchase requests must be approved by the principal prior to procurement | Provide training during pre-service week on the procedures for requesting funds (Secretary) | Pre-service week | Pre-service agenda and notes |

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| | Include policy reminders in staff bulletin and quarterly leadership meetings (Principal) Funds purchased prior to approval will not be reimbursed (Principal) | September-May Summer and Quarterly Leadership meeting | Staff bulletins Leadership meeting notes Email |
| Purchaser must confirm receipt of goods or services prior to disbursement | Provide training during pre-service week on the procedures request for purchase (Secretary) Require signature of purchaser prior to disbursement (Secretary) Include policy reminders in staff bulletin and quarterly leadership meetings (Principal) Update financial section of School Handbook with specific information, examples and forms (Secretary) | Pre-service week September-May Summer and Quarterly Leadership meeting July-August 2015 | Pre-service agenda and notes Signed copy of all forms Staff bulletins Leadership meeting notes Copy of Handbook |
| Purchase invoices and receipts must be annotated as "paid" to indicate disbursement was made | Purchase a "paid" stamp to mark invoices upon disbursement (Secretary) | June 2015 | Receipt for purchase of stamp |
| Purchase card activity must comply with the MCPS Purchase Card User's Guide | Attend purchase card training available on PDO (Secretary) | Summer 2015 | Meeting notes |
| Funds collected by sponsors must be promptly remitted to the administrative secretary, verified, receipted, and promptly deposited in the bank | Provide training during pre-service week on the procedures for remittance of cash and checks. Funds to be remitted to secretary before noon for receipt and deposit that day (Secretary) Purchase a "for deposit only" stamp to immediately endorse checks received (Secretary) Include policy reminders in staff bulletin and quarterly leadership meetings (Principal) | Pre-service week June 2015 September-May | Pre-service agenda and notes Remittance slips Bank deposit statements Receipt for purchase of stamp Staff bulletins Leadership meeting notes |

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| | Administrative secretary to inform teachers and principal of non-compliance (Secretary) | Summer and Quarterly Leadership meeting | Emails send by secretary |
| | Update financial section of School Handbook with specific information, examples and forms (Secretary) | July-August 2015 | Copy of Handbook |
| 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 | Provide training during pre-service week on the requirements for completing and submitting form 280-41 after a trip is completed (Secretary) | Pre-service week | Pre-service agenda and notes Completed form 280-41 Additional documentation relevant to the trip |
| | Include policy reminders in staff bulletin and quarterly leadership meetings (Principal) | September-May Summer and Quarterly Leadership meeting | Staff bulletins Leadership meeting notes |
| | Administrative secretary to inform teachers and principal of non-compliance (Secretary) | | Emails send by secretary |
| | Update financial section of School Handbook with specific information, examples and forms (Secretary) | July-August 2015 | Copy of Handbook |