


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

May 17, 2018

MEMORANDUM

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

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

Subject: Report on Audit of Independent Activity Funds for the Period  
March 1, 2015 through February 28, 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 and are charged with determining the manner in which funds are raised and expended for activities such as field trips, admission events, and fund-raisers. 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 May 10, 2018, meeting with you and Mrs. Renee B. Shaw, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated May 14, 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

Effective internal control includes the receipt and review by the principal of 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 no cancelled checks were presented to the principal to review along with the bank statement and that

the monthly bank reconciliation and ledger reports were not consistently signed by the principal to indicate review. We recommend that you initiate a process that ensures this important internal control process occurs monthly (refer to *MCPS Financial Manual*, chapter 20, page 9).

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 being used for most of the audit period and, once started in December 2017, the signed reports were not consistently returned. We recommend that 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 and kept on file for audit. A procedure should be established to ensure that all statements are reviewed and returned (refer to *MCPS Financial Manual*, chapter 20, page 10).

Once a check or receipt has been written, it shall not be erased or altered. If an error is discovered, the check or receipt should be marked "void" and a replacement issued. Any misprinted checks or receipts should be entered into the accounting system, and the voided checks and all parts of any voided receipt forms should be defaced and retained (refer to *MCPS Financial Manual*, chapter 7, page 4, and chapter 20, page 6). We found that not all voided receipts had been entered into the accounting system, that voided stock in some instances could not be located, and that some voided receipts were not kept intact so that all parts of the receipts could not always be found. We recommend that checks and cash receipts written in error be voided in accordance with proper procedures.

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (refer to *MCPS Financial Manual*, chapter 20, page 4). Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. Upon issuance of a check, the school administrative secretary will mark the invoice as "paid" to preclude duplicate payment. In our sample of disbursements, we found instances in which controls over purchases were weakened that included invoices not annotated by purchaser to indicate purchased goods or services were satisfactorily received and also not stamped or marked "paid" by the school administrative secretary. We recommend that purchasers sign invoices to indicate satisfactory receipt of goods or services, and that the school administrative secretary marks them as "paid" once the check has been written.

If an independent contractor is not currently listed in the School Funds Online (SFO) accounting system as a districtwide vendor, IRS Form W-9 must first be obtained and forwarded to the Division of Controller (DOC) prior to making any payment. The DOC annually reviews payments made to all districtwide vendors for issuance of IRS Forms 1099 in compliance with federal tax reporting requirement (see MCPS Regulation DIA-RB, *Payments for Services and Reimbursements for Expenses from School Independent Activity Funds*). Among your disbursements, we found that payments for services to independent contractors did not follow these procedures. We recommend that payments for personal services be made and reported in [compliance with the applicable regulations and procedures](#) (refer to *MCPS Financial Manual*, Chapter 20, page 15).



Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card Users Guide*. By the fifth business day of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements must be printed and provided to the principal, with all purchase receipts and invoices attached. The principal must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. The principal's card transactions are to be reviewed and approved by the respective director of elementary schools. We found that cardholders had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the principal had not timely approved transactions online. In addition, some purchases were made using the MCPS Materials of Instruction card for items that should have been purchased with the Independent Activity Funds. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Student Organization Trips*. Trip approval forms signed by the principal, and the director of school support and improvement, when required, should be retained. 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 (refer to *MCPS Financial Manual*, chapter 20, page 10). 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.

School Finance refresher training is recommended every three years for all principals, Part I, and elementary school administrative secretaries, Parts I and II, (refer to *MCPS Financial Manual*, chapter 1, page 10). We noted that it has been more than three years since you and the school administrative secretary attended finance training. We recommend that you and the school administrative secretary attend the School Finance refresher training pertaining to your respective roles as soon as possible.

#### Summary of Recommendations

- Monthly bank statement review must include cancelled checks.
- Monthly financial reports must be signed and dated by the principal to indicate review (**repeat**).
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the school administrative secretary (**repeat**).
- Receipts that are voided must be properly defaced and retained.
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).

- Invoices must be annotated as “paid” to indicate disbursement was made (**repeat**).
- Independent contractor payments must comply with MCPS Regulation DIA-RB.
- Purchase card activity must comply with the MCPS *Purchasing Card User’s Guide* (**repeat**).
- 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**).
- The principal and school administrative secretary attend School Finance refresher training.

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 Mr. Michael D. Bayewitz, director of school support and improvement of elementary schools. Based on the audit recommendations, Mr. Bayewitz 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 school financial agent to support you with developing a well-defined plan to address the findings.

RWP:SMY:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Dr. Kimball

Mr. Bayewitz

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Reilly

Mr. Tallur

Mr. Ikheloa

## FINANCIAL MANAGEMENT ACTION PLAN

**School:** South Lake Elementary

**Principal:** Celeste King

**Fiscal Year:** 2018

**Associate Superintendent:** Dr. Kimball

**Director:** Mr. Bayewitz

**Strategic Improvement Focus:**

As noted in the financial audit for the period March 1, 2015-February 28, 2018, strategic improvements are required in the following business processes :

- Checking/Receipts/Deposits
- Field Trips



Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
Administrative secretary will attend all administrative secretary trainings offered through the year.	Administrative Secretary	Admin Secretary meeting invites/email	Agenda and notes	Principal	Implementation of action items from the meeting
Attend School Finance Refresher training	Administrative secretary, principal, AP	PDO class	Registration	First available class	Completion Certificate
The administrative secretary will provide sponsors with monthly statement of their account and they will verify the transactions. The administrative secretary will send emails to sponsors requesting signatures.	administrative secretary; sponsors	Electronic Calendar Binders Monthly IAF account history report	color-coded binder system to maintain signed monthly account statements monthly calendar reminder for sponsors Principal will be notified of sponsors not returning reports in timely manner	Administration Visiting bookkeeper Monthly	Signed and dated documents
Provide training during pre-service to reinforce expectation to review and verify monthly statements.	Admin Secretary; Administration	Protocol	Pre-Service Agenda	Admin Secretary; Administration; Pre-service	Pre-service agenda and presentation
The administrative secretary will implement MCPS Regulation IPS-RA for all field trip activities. Sponsors will record cost and fee information for Each field trip on MCPS form 280-41. The form will include waivers, scholarships or reduced fees. Include policy reminders in staff bulletins, handbook	Administrative secretary; sponsors; Administration	Form 280-41	Daily remittance of fees by sponsors and receipts Checked by sponsors. Deposits made daily	Secretary, visiting bookkeeper, administration Monthly	Completed form 280-41 with any additional documents; balances verified
Check vendor status of independent contractors prior hiring; Obtain and forward IRS form W-9 to DOC prior to making payment Report payment monthly to DOC using form 280-47.	Administrative secretary	W-9 280-47A	SFO	Secretary As needed	Completed W-9 with any additional documentation
Administrative secretary has implemented the printing monthly bank statements including canceled checks. (implemented effective May 2018)	Administrative Secretary; Administration	Online banking platform	Bank statements and canceled checks	Administration, book keeper; monthly	Monthly bank statements including canceled checks.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
A schedule will be established by the administrative secretary with a calendar reminder to ensure principal signatures in a timely manner.	Administrative Secretary; Principal; Bookkeeper	Calendar; Financial report from bookkeeper	Outlook Calendar, Financial reports	Administrative Secretary, Administration, Bookkeeper	Signed and dated documents
The administrative secretary will properly defaced and retain voided receipts.	Administrative Secretary, Bookkeeper	Canceled or voided checks or receipts	N/A	Administrative secretary and administration	Defaced and voided receipts
The administrative secretary will confirm purchase receipt of goods or services prior to disbursement.	Administrative Secretary, team leaders, building services	Purchase order	Invoice	Administrative secretary, with each order	Invoices are marked as paid
The Administrative secretary will utilize the MCPS purchasing card user guide when using the card to purchase items.	Administrative Secretary	MCPS Purchasing card guide	Monthly JP Morgan Statements	Principal Bookkeeper Monthly	Monthly JP Morgan Statements Feedback from Bookkeeper
Administration will meet with the supervisor of internal audit to consult provide recommendations to clarify strategies for ensuring appropriate and effective implementation of the MCPS financial policies, regulations and procedures.	Supervisor of internal audit, Administration	Meeting notes	Agenda	Administration Supervisor of Internal Audit	Meeting Notes

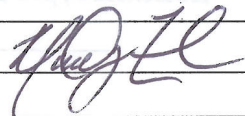
**OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL**

☒ **Approved**

☐ Please revise and resubmit plan by \_\_\_\_\_

Comments: \_\_\_\_\_

Director: \_\_\_\_\_



Date: 7-15-18