


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 12, 2019

MEMORANDUM

To: Mr. Matthew D. Hawkins, Principal
Viers Mill Elementary School

From: Mary J. Bergstresser, Acting Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2016, through September 30, 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 November 27, 2019, meeting with you; Mrs. Katherine A. Schwartz, assistant principal; Ms. Barbara L. Miller, visiting bookkeeper; and Mrs. Laurie A. Schmidt, school administrative secretary, we reviewed our prior audit report dated October 28, 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

Internal control is a process of interconnected policies, regulations, and procedures, as well as employees' attitudes and actions that work together to provide a system of checks and balances to achieve proper authorization of expenditures and safeguarding of assets. The principal is the individual who has the overall fiduciary responsibility for the IAF (refer to *MCPS Financial*

Manual, chapter 20, page 4). We noted an absence of controls over IAF operations resulting in untimely bank deposits, as well as poor maintenance of financial records. You must initiate a monitoring process to enforce IAF policies, regulations, and procedures in order to promote timely and accurate reporting of data.

Sponsors of school activities which involve the collection or disbursement of IAF resources must be provided an account history report for each month in which transactions have been recorded in their accounts and be required to verify that transactions have been correctly recorded. In our sample of records, we noted that some sponsors did not consistently receive their monthly reports, and not all were signing and returning to indicate review. All sponsors must be given a monthly statement of their accounts, and be required to review and resolve any discrepancies in their accounts, and return the signed statements to the school administrative secretary who will file them for review by audit (refer to *MCPS Financial Manual*, Chapter 20, page 10).

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 6). In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal, and receipts were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received. In your fiscal management action plan dated November 17, 2016, you indicated that all purchase requests would have adequate documentation and prior approval before purchases were made. All IAF purchases must 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*, must 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 on a daily basis to the school administrative secretary 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, all funds collected must be remitted daily to the school administrative secretary for prompt deposit.

Cash and checks collected within the school by sponsors and others for IAF activities are documented by *MCPS Form 280-34*, and receipted by the school administrative secretary. If funds are received from an outside source, the school administrative secretary must retain documentation from the source to substantiate the amount of and reason for which the school received the funds (refer to *MCPS Financial Manual*, chapter 7, pp. 4-5). We noted that remittances from outside sources were not consistently supported by a source document. The school must comply with MCPS policies and procedures as outlined above.

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. In your fiscal management action plan dated November 17, 2016, you indicated that the school administrative secretary would monitor and provide email and/or face-to-face follow-up with teachers for completing and submitting the field trip accounting forms. In addition, the school administrative secretary would perform a reconciliation of each field trip. This reconciliation cannot be completed unless all sponsors submit a final field trip accounting. All sponsors are required to use MCPS Form 280-41, *Field Trip Accounting*, or equivalent and follow the procedures outlined above.

Notice of Findings and Recommendations

- IAF must be managed in accordance with sound accounting practices and effective internal control procedures.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the school administrative secretary (**repeat**).
- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the school administrative secretary.
- Remittances must have support documentation.
- 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 (**repeat**).

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.

MJB:AMB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Morris

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Reilly

Mr. Tallur

Mrs. Webster

Mr. Marella

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY2020	Fiscal Year: FY2020
School: Viers Mill ES - 772	Principal: Matthew Hawkins
OSSI Associate Superintendent: Ms. Diane Morris	OSSI Director: Ms. Jennifer Webster
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>10/1/16-9/30/19</u>, strategic improvements are required in the following business processes :</p> <p>Independent Activity Funds (IAF) Management; Purchase Requests and Disbursements; Sponsor Reports; Remittance of Received Funds; Field Trip Accounting.</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
IAF Management: The administrative secretary and principal will meet weekly to review and monitor accurate reporting of data in alignment to IAF policies, regulations, and procedures.	Principal Administrative Secretary	Complete School Finance Training - Part 2	Checklist	Administrative Secretary: daily and weekly Principal: weekly	Transactions will be reviewed weekly with the checklist. The completed checklist will be filed for each week.
Purchase Requests and Disbursements: All disbursements must be pre-approved by the principal, have documentation that supports the disbursement amount, and invoices of goods/services should be marked received prior to payment. Packing slips will be attached to the purchase packets. Review procedures with all staff (1/13/20).	Principal or Assistant Principal Administrative Secretary	n/a	MCPS Form 280-54 Accompanying receipts and packing slips	Principal or Assistant Principal: ongoing Administrative Secretary: ongoing	All purchase requests will have adequate documentation and prior approval before purchases are made. Packing slips will be maintained.
Sponsor Reports: The administrative secretary will monitor the return of sponsor reports to ensure that staff reviews, signs, and returns these reports monthly. Review procedures with all staff (1/13/20).	Administrative Secretary School Sponsors	n/a	Photocopies of sponsor reports prior to distribution Attach signed sponsor reports to copy of original	Administrative Secretary and School Sponsors: monthly	All signed sponsor reports (attached to copies of the original report) will be returned and completed monthly.
Remittance of Received Funds: Staff members will remit cash and checks promptly to administrative secretary daily by 1:00 p.m. with MCPS Form 280-34. The school administrative secretary will deposit funds at the bank daily. Review procedures with all staff (1/13/20).	School Staff Administrative Secretary	n/a	MCPS Form 280-34 Receipts	School Staff and Administrative Secretary: daily	All collected funds will be remitted daily and in a timely manner to minimize the risk of loss and provide availability of funds to meet school needs.

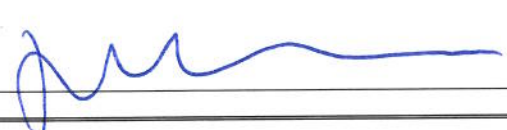
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Field Trip Accounting: The administrative secretary will remind school staff to submit MCPS Form 280-41 (and then compare to Account History Reports) within one week after the field trip is completed.	Administrative Secretary School Staff	n/a	MCPS Form 280-41 Account History Reports	School Staff and Administrative Secretary: within one week after field trip	Administrative secretary will utilize a folder system to collect and compare report data for each field trip.

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

Approved Please revise and resubmit plan by _____

Comments:

Director: _____



Date: _____

1/7/20