


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 21, 2017

MEMORANDUM

To: Ms. Virginia A. de los Santos, Principal
White Oak Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2016, through September 30, 2017

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 November 14, 2017, meeting with you, and Mrs. Susan E. Krisch, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated June 6, 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

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal 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 financial specialist. Upon disbursement, the

documentation is to be stamped or marked “paid” to preclude duplicate payment (refer to *MCPS Financial Manual*, chapter 20, and 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. We recommend that the IAF purchases comply with MCPS procedures.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card User’s Guide*. By the fifth 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 or delegated approver, with all purchase receipts and invoices attached. The principal or delegated approver must review each cardholder’s transactions and approve them by the tenth of the following month, using the online reconciliation program. We noted that some cardholders had not promptly reviewed their transactions in the online reconciliation program. We also noted that the principal had not approved all transactions by signing monthly statements to verify review or by reviewing transactions online as required. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with the *MCPS Purchasing Card User’s Guide*.

To properly control funds, all cash and checks collected by sponsors for IAF activities should be remitted promptly to the school financial specialist. 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. We found instances in which funds were held by sponsors rather than being remitted in a timely manner to the school financial specialist 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 financial specialist for prompt deposit (refer to *MCPS Financial Manual*, chapter 7, page 4).

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 financial specialist 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.

Sixth-grade students at each middle school in MCPS participate in a three-day, two-night residential outdoor environmental education program (OEEP) for which they are assessed a

\$76 fee to reimburse MCPS for the cost of personal expenses associated with the program. Students unable to pay the OEEP fee receive waivers that must be reported to MCPS so that the total amount of the invoice billed to schools is adjusted accordingly. A school also may charge an activity fee in addition to the OEEP fee. If the combined total amount a student can afford to pay for the OEEP fee plus the school's activity fee equals \$76 or less, the entire combined amount received from the student is to be remitted to Outdoor Education (refer to *OEEP Grade 6 Residential Program Handbook and Planning Information*, page 41). We found that the school did not correctly report all funds collected from students who were identified as needing assistance which then resulted in an underpayment to MCPS. We recommend that you review the procedures for reporting students needing financial assistance with the sponsor and that financial assistance forms are reviewed for accuracy before they are submitted.

Sales of physical education uniforms should comply with the requirements outlined in the *Handbook for the Operation of School Stores*. We noted some weaknesses in the accounting process for the sale of uniforms and in the records of funds collected from students that could not be reconciled to records of sales. To improve controls, we recommend tracking uniform sales on a spreadsheet that can be reconciled to records of account activity. In addition, inventory records should be adjusted for sales, purchases, giveaways, and for garments that are damaged or obsolete. These inventory records should be compared to a physical count performed at least annually. The inventory items should be secured at all times to lessen the likelihood of a loss.

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 card activity must comply with the MCPS *Purchasing Card User's Guide*.
- Funds collected by sponsors must be promptly remitted to the school financial specialist for prompt deposit into the school's bank account.
- 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**).
- OEEP sponsor records must correctly report funds collected and waivers granted for all participating students.
- Physical education uniform sale and inventory processes should comply with the requirements outlined in the *Handbook for the Operation of School Stores*.

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. Diane D. Morris, director of school support and improvement of middle schools. Based on the audit recommendations, Mrs. Morris 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 financial specialist to support you with developing a well-defined plan to address the findings.

RWP:AMB:lsb

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Dr. Williams

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mrs. Morris

Mr. Tallur

Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: November 21, 2017			Fiscal Year: FY18		
School: White Oak Middle School			Principal: Virginia de los Santos		
OSSI Associate Superintendent: Darryl Williams			OSSI Director: Diane Morris		
Strategic Improvement Focus: As noted in the financial audit for the period April 1, 2016 through September 30, 2017, strategic improvements are required in the following business processes :					
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
The findings and recommendations will be shared with all purchasers/receivers. Purchasers/receivers will confirm all items purchased were received in good order. All packing slips/invoices signed by the receiver as evidence of receipt to all disbursements, including purchase card statements, will be attached. Only purchases with a pre-approved 280-54 and documentation for receiving will be considered for payment.	Purchasers/receivers	n/a	Spot check with notation of action taken	Financial Specialist - ongoing	Documentation to 280-54 will be properly annotated to indicate the satisfactory receipt of goods. P-Card holders will remit packing slips with monthly statements marked with receiving information
All findings and recommendations will be shared with all P-card holders and MCPS Purchasing Card User's Guide will be redistributed. The principal will delegate an approver to review each cardholder's transactions on-line and sign monthly statements. Reminders to review and submit monthly statements will increase to everyday for the first ten days of each month.	P-Card holders	Help to set-up a new approver.	Spot check with notation of action taken	Principal - monthly	Memo showing delegation of duties. Monthly statements will show signatures. P-card holders will sign off that they have received and reviewed user guide.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<p>Sponsors will be informed of the findings and recommendations regarding prompt remittance of any money collected. Sponsors will submit a daily report from the first day of fund collection for FT's or FR's to the last including sponsor statement to indicate their secure location for funds. After hours remittances need to be bagged, handed to the Principal and deposited in the drop safe. All dropped funds will be promptly retrieved during regular hours.</p> <p>Parents will be strongly encouraged to pay online. Collection time will be shortened and deadlines will be strictly enforced so accounting can be completed, submitted and reconciled on time.</p> <p>Financial specialist will be allowed to adjust hours during peak times. The schedule will be posted in advance.</p>	FT & FR Sponsors	Shared document to record daily \$ collection	Spot check with notation of action taken	Financial Specialist - ongoing	Daily funds collected report will be submitted including no funds collected. Notation attached to remittance that are not deposited immediately after being deposited in the drop safe, ie: sponsor/FA absence, etc.
<p>All findings and recommendations will be shared with FT sponsors. To facilitate field trip sponsors submitting completion information in a timely manner the fund collection process will be streamlined. Parents will be strongly encouraged to make FT payments online. Collection time will be shortened and deadlines will be strictly enforced so accounting/reconciliation can be completed and submitted on time.</p> <p>Sponsors/financial specialist will make sure all filters are clicked off before printing final copy of the accounting spreadsheet.</p> <p>FT's will be scheduled to reduce ALL grade trips at the same time.</p>	FT Sponsors	Shared document	Shared spreadsheets for every event with reconciliation line added.	Financial Specialist - ongoing	Shared document will show daily activity and accounting which can be monitored.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<p>All findings and recommendations will be shared with OED coordinator. OED fees collected will be remitted to MCPS with any payments less than \$76 to be fully remitted. Parents will be strongly encouraged to make payments online.</p> <p>Collection time will be shortened and deadlines will be strictly enforced so accounting/reconciliation can be completed and submitted on time.</p>	OED Coordinator	Alternate funding sources to facilitate our extra programming at OED	Spot check with notation of action taken	Financial Specialist – OED season	Trip accounting spreadsheet will show all students paying less than \$76 and waiver form will be reconciled against this for accuracy.
<p>All findings and recommendations will be shared with PE clothing sales sponsors. Sales of PE uniforms will be converted to an online sale directly with the vendor. There will still be a need to do in school sales for families that do not have access for this kind of payment but the scope and scale will be much smaller. Less inventory to track and less paperwork and accounting for PE teacher. Sales will end at the end of the 3rd quarter and all paperwork will be submitted at that time to allow for proper reconciliation.</p> <p>All giveaways will be recorded and waivers submitted.</p>	<p>PE Dept. Chair/C. Clifford</p> <p>PE CS/D. Eddy</p>	Vendor set-up of Online Store	Spot check with notation of action taken	Financial Specialist - ongoing	There will be an accurate inventory and accounting submitted including ALL waivers by the end of the 3 rd quarter.

☒ Approved ☐ Please revise and resubmit plan by _____

Comments: _____

Director: _____

Diane Morris

Date: _____

12/21/17