

Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

December 14, 2015

MEMORANDUM

To: Mr. Sean P. McGee, Principal  
Wilson Wims Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
July 1, 2014, through November 30, 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 December 11, 2015, with you and Cynthia McAlister, administrative secretary, we noted your school first opened for students effective July 1, 2014, and that the findings and recommendations detailed below are the result of our first examination of your IAF since your opening.

Findings and Recommendations

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly and intact to the administrative secretary together with MCPS Form 280-34, *IAF Remittance Slip*. Funds remitted should be counted in the presence of the remitter, and a receipt that is supported by the Form 280-34 should be issued promptly. All remittances

must be promptly deposited into the school checking account. We found instances in which there was a delay in issuance of receipts, Forms 280-34 were not associated with receipts, and instances in which there were significant delays in conveying funds to the school checking account. To improve controls, we recommend adoption of the procedures in Chapter 7 of the MCPS Financial Manual.

Disbursement of IAF must be controlled in a number of ways. All purchases must be approved in advance and in writing by the principal using MCPS Form 280-54, *Request for a Purchase*. After the purchase is completed, the purchaser should submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the administrative secretary. A check may then be drawn and it must bear two signatures, one of which is that of the principal or acting principal. We found numerous instances in which controls over purchases were weakened including documentation missing or not adequate to assure the school benefited from the purchase, documentation supporting purchases not stamped or marked "Paid," and documentation not annotated by recipient to indicate purchased goods or services were satisfactorily received. Action is needed to correct these conditions and bring purchasing into conformity with MCPS requirements (see MCPS Financial Manual, p. 20-4).

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. In addition, 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. We recommend 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. A procedure should be established to ensure that all statements are reviewed and returned (see MCPS Financial Manual, p. 20-9).

#### Summary of Recommendations

- Cash handling procedures must be brought into compliance with chapter 7 of the MCPS Financial Manual;
- Purchasing process and record keeping must be brought into compliance with chapter 20 of the MCPS Financial Manual; and
- Monthly reports, including sponsor account reports, must be reviewed, signed, and dated to verify they are correct.

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 Mr. Gregory Edmundson, director of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:LS:sd

Copy to:

Dr. Zuckerman  
Dr. Statham  
Dr. Navarro  
Dr. Kimball  
Mrs. Chen  
Mrs. DeGraba  
Mr. Edmundson  
Mrs. Milwit

Fiscal Management Action Plan

School: Wilson Wims Elementary School  
 Approved by community superintendent: 

Principal: Sean P. McGee  
 Date of approval: 2-17-16

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p><b>Monthly Sponsor Reports</b>                      Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary.</p>	<p>The administrative secretary will provide sponsors with a monthly statement of their accounts and they will verify the transactions, and that they are accurate. The administrative secretary will send an email to sponsors requesting their signature on the statement. After resolution of any discrepancies, the statements will be signed and dated by the sponsors and kept on file. The administrative secretary will organize monthly statements in a binder that will be stored on the shelf adjacent to her desk.</p> <p>Person(s) Responsible: Bookkeeper, administrative secretary and account sponsors.</p>	<p>Once per month. In practice beginning December 2015.</p>	<p>Signed and dated statements.</p>
<p><b>Purchase Request Approval</b>                      Purchase requests must be approved by the principal prior to procurement.</p>	<p>At the time that verbal approval is sought from the principal, Form 280-54 will be prepared and signed by both requesting staff and the principal. The principal will ensure detailed documentation/rationale of the purchase is attached to the request prior to signing. The invoices for the purchase will be signed and dated by the receiver.</p> <p>Staff members who do not secure advance approval, will not receive reimbursement for purchases.</p> <p>Person(s) Responsible: Administrative secretary, principal, staff requesting purchase</p>	<p>As needed                      Refined this procedure beginning in December 2015</p>	<p>Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver.</p>
<p><b>Documenting Reimbursements</b>                      Invoices and receipts must be annotated as paid to indicate disbursement was made</p>	<p>All supporting documentation 280-54 must be attached with reimbursement check. Once check has been signed, the administrative secretary will stamp original receipt "paid." Documents will be filed with disbursements for the month.</p> <p>Person Responsible: Administrative secretary</p>	<p>As needed                      Refined this procedure beginning in December 2015</p>	<p>Completed Form 280-54, with documentation of purchase, and receipt of purchase (stamped as "paid")</p>
<p><b>Funds for Sponsored Activities</b>                      Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the administrative secretary and promptly deposited.</p>	<p>Person Responsible: Administrative secretary                      Cash collected by sponsors will be counted in front of the administrative secretary and documented using form 280-34. Administrative secretary will sign form as documentation of receipt and sponsors will make a copy of the signed form for their records. Cash will be submitted by sponsors on a daily basis. Administrative secretary will make daily deposits.</p>	<p>Daily sponsor submission of funds                      Immediate receipt of funds (signature and signed copy of form)                      Deposits daily as needed.</p>	<p>Receipts of funds submitted and bank deposit statements.</p>

	<p>Person Responsible: Administrative secretary, sponsors</p>		
<p><b>Professional Financial Training Support from MCPS</b> Support provided by training and advice from MCPS staff</p>	<p>Support from Ms. Deborah Camp by providing financial training for Administrative secretaries in February 2016. Person(s) Responsible: Administrative secretary,</p>	<p>As needed Will attend additional trainings as they are offered</p>	<p>Sign in and confirmation that training was attended.</p>

*Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.*