


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 27, 2019

MEMORANDUM

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

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

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2015, through May 31, 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 June 25, 2019, meeting with you and Mrs. Cynthia K. McAlister, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated December 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

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). There is also a requirement for adequate documentation to support the procurement of the goods and services, such as an original invoice or itemized receipt. Invoices for goods or services must indicate all items are satisfactorily “received” and marked as “paid” (refer to *MCPS*

Financial Manual, chapter 20, page 6). In our sample of disbursements, prior approval was not consistently obtained, adequate support was at times missing, and supporting documentation was not always marked paid and/or not marked to indicate satisfactory receipt of the goods or services. We recommend that MCPS Form 280-54 be prepared by staff and signed by the principal as pre-approval for IAF purchases, supporting documentation be attached to the Form 280-54 once the purchase has been made, and support documents be marked paid and indicate that items or services were received satisfactorily. Certain sponsors may benefit from having an annual budget detailing expected income and expenses and obtaining principal approval at the beginning of the school year. These budgets should be monitored by the school's financial agent and revised if necessary.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card User's 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. We found that cardholders had not provided their purchase receipts and invoices along with their monthly statement, and the approver had approved online without reviewing these documents. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the school administrative secretary. Cash should be counted in the presence of the remitter and a receipt that is supported by the remittance slip should be issued promptly. Remittances received should, in turn, be promptly deposited into the school's bank account. Large and infrequent deposits increase the possibility of loss of funds, as well as decrease the school's ability to fund activities. We found that some sponsors were holding funds collected rather than remitting them to the school administrative secretary on a daily basis, and the school administrative secretary was not always making timely deposits and holding money in excess of permitted amounts. At times, funds were taken to the bank prior to being entered into the accounting software program. To minimize the risk of loss or theft and provide availability of funds to meet school needs, we recommend that all funds collected be remitted to the school administrative secretary daily for prompt deposit (refer to *MCPS Financial Manual*, chapter 7, page 4). In addition, all remittances on hand must be deposited before each weekend or holiday.

Sponsors of field trips should have a complete class or club roster of student names and annotate how much each student paid, date paid, students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be submitted to the school administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report. We found not all sponsors are submitting completed data at the conclusion of each trip and that data is not being compared to the final account history report. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, and provide complete data at the conclusion of each trip. This data must be reconciled by the school administrative secretary with remittances recorded in activity accounts (refer to *MCPS Financial Manual*, chapter 20, page 10).

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement.
- Purchase documentation must be adequate to support disbursements **(repeat)**.
- Purchaser must confirm receipt of goods or services prior to disbursement and mark "Paid" **(repeat)**.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*.
- Cash and checks collected by sponsors must be promptly remitted to the school administrative secretary.
- Cash and checks remitted by sponsors must be promptly receipted and deposited in the bank by the school administrative secretary **(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.

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 Dr. Michael J. Zarchin, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Zarchin 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 administrative secretary to support you with developing a well-defined plan to address the findings.

RWP:MJB:lsh

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

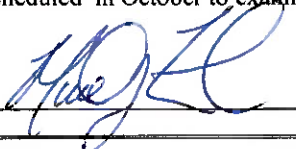
Mr. Reilly
Mr. Tallur
Dr. Zarchin
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2018-2019	Fiscal Year: 2018-2019
School: Wilson Wims ES - 341	Principal: Sean McGee
OSSI Associate Superintendent: Mr. Eric Wilson	OSSI Director: Dr. Michael Zarchin
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>12/1/15-5/31/19</u>, strategic improvements are required in the following business processes :</p> <p>Financial Reports/Internal Controls, Disbursements, Cash Receipts, Fundraisers, Field Trips</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchase requests will be approved by the principal prior to procurement. Staff will be consistent with requesting and being granted prior approval and will make sure all supporting documentation is collected. We will use form 280-54 and all supporting documents will be marked as "paid".	Principal, Administrative Secretary, Staff	Form 280-54	This will be monitored each time a staff member makes a request for purchase	Who: principal/admin. secretary When: When requests are made	
Purchase card activity will now include receipts attached to the JP Morgan summary. This will be collected by both the administrative secretary and media specialists who have purchasing rights.	Principal, Administrative Secretary, Media Specialist	Receipts for all purchases made with purchase card. JP Morgan summary	We review the documentation during the first week of each month.	Who: principal/admin. secretary When: Monthly	
Cash and checks collected by sponsors must be promptly remitted to the school administrative secretary and deposited promptly by the administrative secretary. We will reiterate to staff not to hold on to money when they receive it. The administrative secretary will schedule times daily to visit the bank to make daily deposits.	Principal, Administrative Secretary, Staff	None	The principal will meet with office staff to ensure a schedule set and will monitor daily. Staff will be reminded during meetings and communications.	Who: principal/admin. secretary When: Daily	
Field Trip records prepared by sponsors must provide comprehensive data to account for all costs to field trips. Staff will be reminded to use and complete Form 280-41 at the conclusion of each trip. This will allow the administrative secretary to reconcile and compare the final account history report	Principal, Administrative Secretary, Staff	Form 280-41	Monitoring of Form 280-41 each time a field trip is completed.	Who: principal/admin. secretary When: End of Field Trips	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
The principal and administrative secretary will attend the MCPS IAF School Finance training together to make sure current processes are aligned with expectations	Principal, Administrative Secretary	IAF Training	Completion of training documented in PDO	Part 1 - 9/5/19 Part 2 - 9/22/19 Course completion dates	

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved <input type="checkbox"/> Please revise and resubmit plan by _____	
Comments: A review will be scheduled in October to examine progress with the actions steps.	
Director: <u>Michael J. Zarchin</u> 	Date: <u>7/22/2019</u>