MEMORANDUM

To: Mrs. Mary R. Sherburne, Principal
    Wood Acres Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period
         July 1, 2011, through February 29, 2016

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 April 27, 2016, with you and Mrs. Laurene Over, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated September 13, 2011, 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

Disbursement of IAF must be controlled in a number of ways. All purchases must be approved in advance and in writing using MCPS Form 280-54, Request for a Purchase, to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-4). After the
purchase is completed, the purchaser should submit the invoice or documented evidence of purchase, signed 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. Documentation supporting purchases should then be stamped or marked “Paid” and filed. We found instances where invoices were not marked that goods were received, and supporting documentation was not marked or stamped “Paid.” We recommend that supporting documentation be signed and dated once merchandise or service has been satisfactorily received. We further recommend that once a check has been prepared, the supporting documentation should be stamped or marked “Paid.”

Controls over cash receipts need improvement. Staff collecting funds for field trips were holding rather than remitting them timely to the administrative secretary. Periodically, the administrative secretary was not making timely deposits; holding money in excess of permitted amounts. Large and infrequent deposits increase the possibility of loss of funds, diminish the schools ability to fund activities, and are contrary to the MCPS Financial Manual. To minimize the risk of loss and provide assurance that funds are available for school needs, all funds collected should be remitted to the administrative secretary daily for prompt deposit in the bank (see MCPS Financial Manual, p. 7-4).

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS Purchasing Card Users 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, 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 approved all transactions online. Action is needed to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, eligible students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be provided to the administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report. The data also should be used to estimate future trips. We found that sponsors were not providing completed data at the conclusion of each trip, and that data is not being compared to the final account history report nor used for planning future trips. We recommend trip sponsors use MCPS Form 280-41, Field Trip Accounting, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip.
Summary of Recommendations

- Purchaser must confirm receipt of goods or services prior to disbursement (repeat);
- Purchase invoices and receipts must be annotated as “Paid” to indicate disbursement;
- Funds collected by sponsors must be promptly remitted to the administrative secretary;
- Funds remitted by sponsors must be promptly verified, receipted, and deposited in the bank by the administrative secretary (repeat);
- Purchase card activity must comply with the MCPS Purchasing Card User’s Guide; and
- 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 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. Matthew Devan, directory of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:SY:sd

Copy to:
Dr. Zuckerman
Dr. Statham
Dr. Navarro
Dr. Kimball
Mrs. Chen
Mrs. DeGraba
Mr. Devan
Mrs. Milwit
May 27, 2016

To Whom It May Concern:

Wood Acres received the results of financial audit in April 2016. The following areas were noted for improvement: disbursement of independent activity funds, field trip money collection closure practices and MCPS purchase card maintenance. The attachment is our response to audit recommendations.

In addition to the resolution practices noted, the administrative secretary and administrators will pursue financial refresher training.

Should you have additional questions or concerns, please contact me. Marita_Sherburne@mcpsmd.org. Thank you

Sincerely,

[Signature]

Marita Sherburne
Principal
### Fiscal Management Action Plan

**School:** Wood Acres Elementary School  
**Principal:** [Signature]  
**Approved by community superintendent:** [Signature]  
**Date of approval:** [Date]

#### Findings and Recommendations of School's Financial Report

<table>
<thead>
<tr>
<th>Disbursement of IAF</th>
<th>Description of Resolution And Person(s) Responsible</th>
<th>Timeline</th>
<th>Evidence of Completion</th>
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| Administration will review process with staff – purchases must be approved in advance using 280-54.  
Admin Secretary will stamp PAID on invoices and supporting documentation.  
Admin Secretary will assemble supporting documentation and Administration will sign and date once materials are received. | September 2016 | - Immediately for trips in cue  
- Staff handbook updates summer 2016  
- Team leader meeting in fall 2016 |

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<th>Field Trip money collections</th>
<th>Description of Resolution And Person(s) Responsible</th>
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| Admin Secretary will review money practices with staff and reinforce that they should not be holding on to cash and checks.  
Admin Secretary will deposit daily to minimize errors and maximize funds available. | Preservice  
As needed | - Field trip directions to staff  
- New collection safe for staff  
- Check monthly bank statements |

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<th>MCPS purchasing card</th>
<th>Description of Resolution And Person(s) Responsible</th>
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| Administration will approve the transaction sheets by the 10th of the month.  
Administration and Admin Secretary will report download issues to HELP DESK and contact central office. Some transactions were not approved due to download issues. | Monthly | - Download  
- Help desk ticket |

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<tr>
<th>Field Trip class roster</th>
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| Staff will complete the Field trip collection rosters at end of trip.  
Admin Secretary will assemble collection rosters, payment transactions forms and field trip packet for storage. | Monthly ongoing | - Field trip folders  
- Quarterly check admin sec and administration |

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

## Response to Audit April 2016

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**Principal:** Marita Sherburne  
**Approved by community superintendent:**  
**Date of approval:**

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