MEMORANDUM

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

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

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2016, through April 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 June 20, 2019, meeting with you; Ms. Melanie Knight, assistant principal; and Mr. Raul Y. Aleman, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated April 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

The management of IAF must be in accordance with good business practices that include sound accounting and internal control procedures. As a result of our review, we noted that your school administrative secretary and visiting bookkeeper were remiss in implementing adequate procedures for proper control and oversight of IAF. As a result, we noted that the school administrative secretary was not providing the principal with the required monthly reports for
review and signature each month. We also found that the visiting bookkeeper was preparing the monthly bank reconciliation and general ledger report, but these reports, including the bank statement, were not being signed and dated by the principal to indicate review. Sponsor reports were being printed each month, but not distributed to sponsors for review and signature (refer to *MCPS Financial Manual*, chapter 20, pp. 9-10). We also noted that the principal had signed several checks made out to herself due to the fact that the school only had two staff members assigned as check signers (refer to *MCPS Financial Manual*, chapter 20, page 6). We recommend that you work with the school administrative secretary to establish processes that will structure workflow to ensure strong internal controls and appropriate oversight of IAF. We also recommend that a third staff member be assigned as a check signer on the school’s checking account.

The IAF chart of accounts is standardized for consistency in reporting and provides guidance on account structure and utilization (refer to *MCPS Financial Manual*, chapter 20, page 11). We found instances of nonconformity and noted that sometimes transactions were not classified properly in appropriate accounts, but recorded in the general account. Such commingling renders it difficult to evaluate the results of activities and may allow a loss to go undetected. We recommend that the school’s accounts be brought into compliance with the current chart of accounts and that guidelines for uses of funds be reviewed.

Timely reporting of accounting transactions as part of monitoring financial data is an important aspect of internal control. We found that Automated Clearing House (ACH) electronic fund transactions for On-line School Payments (OSP) and MCPS iReceiveable payments were entered in the School Funds Online (SFO) IAF accounting system weeks after received and disbursed. We recommend these transactions be posted timely in SFO in order to have receipts and disbursements recorded in correct date order based on the actual receipt and disbursement of these funds in the school’s checking account.

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 we found prior approval was obtained for the majority of MCPS 280-54’s that we could locate, but a large number could not be found. Of those that could be located, supporting documentation was not 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 and support documents be marked paid, and indicate that items or services were received satisfactorily. These records must be retained in the business office for audit purposes.

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 of account landscape should 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 learning, achievement, and administration, Office of School Support and Improvement. We found that cardholders had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed all their transactions in the online reconciliation program. We also found that the principal had not approved all transactions online. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the school administrative secretary. These receipts must be deposited promptly and all receipts must be deposited on the last working day of each month and before each weekend or holiday (refer to MCPS Financial Manual, Chapter 7, pp. 4-5). We noted staff collecting funds were holding, rather than remitting, them timely to the school administrative secretary. We also noted the school administrative secretary was not always making timely deposits; holding money in excess of permitted amounts. We found at times the school administrative secretary took funds to the bank for deposit prior to recording the transaction in SFO. Untimely deposits increase the possibility of a loss of funds and diminish the school’s ability to fund activities. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected should be remitted to the school administrative secretary daily and recorded in SFO prior to deposit (refer to MCPS Financial Manual, chapter 7, page 4). In addition, all remittances on hand must be deposited in accordance with MCPS policy and procedures.

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 remitted to the school administrative secretary at the completion of each trip and compared to remittances recorded in the trip account history report. We were unable to locate any field trip request forms for trips taken during the audit period. We also found sponsors are not 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

- IAF must be managed in accordance with sound accounting practices and effective internal control procedures.
- Monthly financial reports must be signed and dated by the principal to indicate review.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the school administrative secretary.
- Accounting transactions must conform to the IAF chart of accounts.
- ACH transactions must be recorded in a timely manner.
- Purchaser must confirm receipt of goods or services prior to disbursement (repeat).
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made (repeat).
- All MCPS Forms 280-54 must be available for review for all disbursements.
- Purchase card transactions must be documented, reviewed, and approved by the principal (repeat).
- Cash and checks remitted by sponsors must be promptly receipted and deposited in the bank by the school administrative secretary (repeat).
- Field trip request for approval forms must contain all relevant information, and records prepared by sponsors must provide comprehensive data 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 Mr. Brian W. Scriven, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mr. Scriven 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:GW:ISH

Attachment

Copy to:
Members of the Board of Education
Dr. Smith
Dr. Navarro
Dr. Statham
Dr. Zuckerman
Mr. Civin
Dr. Johnson
Mrs. Dyson
Mrs. Camp
Mrs. Chen
Ms. Diamond
Mr. Reilly
Mr. Scriven
Mr. Tallur
Ms. Webb
## FINANCIAL MANAGEMENT ACTION PLAN

<table>
<thead>
<tr>
<th>Report Date: 7/15/19</th>
<th>Fiscal Year: 7/15/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>School: Wood Acres ES - 417</td>
<td>Principal: Marita Sherburne</td>
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<tr>
<td>OSS</td>
<td>OSSI</td>
</tr>
<tr>
<td>Associate Superintendent: Cheryl Dyson</td>
<td>Director: Brian Scriven</td>
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### Strategic Improvement Focus:
As noted in the financial audit for the period 2017 - 2019 strategic improvements are required in the following business processes:

<table>
<thead>
<tr>
<th>Action Steps</th>
<th>Person(s) Responsible</th>
<th>Resources Needed</th>
<th>Monitoring Tools / Data Points</th>
<th>Monitoring: Who &amp; When</th>
<th>Results/Evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly REQUIRED Principal/Bookkeeper meeting. Setting up meeting planners accordingly to Principal availability to make sure same day signature is being established for all monthly reconciliations.</td>
<td>Raul Aleman Marita Sherburne Bookkeeper</td>
<td>Meeting planner confirmations Room to discuss monthly report</td>
<td>IAF Checklist for admin secretary organized by month</td>
<td>Principal Monthly</td>
<td></td>
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<tr>
<td>Bookkeeper Checklist will be established as part of the principal meeting with the bookkeeper. This will result in an in depth check to make sure all points are addressed during the reconciliation. This will also serve as a checklist for our second visiting bookkeeper to follow afterwards.</td>
<td>Raul Aleman Marita Sherburne Bookkeeper Monika Roberts</td>
<td>IAF Checklist</td>
<td>IAF Checklist for bookkeeper note discussion on monthly checklist - organized by month</td>
<td>Principal Monthly</td>
<td></td>
</tr>
<tr>
<td>Sponsor Signed Reports will be printed by the bookkeeper than will be immediately copied in a different color to keep in a binder. The sponsor reports will then be distributed to staff. As each staff member returns their signed sheet, the colored copy will be removed from the binder. The colored sheets serve as a reminder for any pending signed sheets.</td>
<td>Raul Aleman</td>
<td>Binder and colored paper</td>
<td>Training of Staff at preservice Field Trip sponsor Support</td>
<td>Admin Secretary as appropriate (field trips and recorders)</td>
<td></td>
</tr>
<tr>
<td>Cleaner/organized Monthly Reports. Principal Signatures will be filed in their own respective binder that will be divided by month. Sponsor reports will be organized the same way. Per auditor, this will facilitate the audit and be easier to locate.</td>
<td>Raul Aleman</td>
<td>Binders</td>
<td>Second bookkeeper to review</td>
<td>Admin secretary Second bookkeeper</td>
<td>Principal Monthly</td>
</tr>
</tbody>
</table>

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<tbody>
<tr>
<td>3rd Check Signer. Melanie Knight our assistant principal will be assigned as our third check signer. Will need all three individuals to present themselves at Suntrust per their guidelines</td>
<td>Raúl Aleman Maritza Sherburne Melanie Knight</td>
<td>Visit to Suntrust Bank</td>
<td>Suntrust documentation</td>
<td>Principal Summer 2019</td>
<td></td>
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<tr>
<td>JP Morgan Landscape reports will be printed correctly for reconciliation and will work to resolve Mrs. Sherburne's JP Morgan given login failure. Will contact JP Morgan directly to fix profile. These will be reviewed BEFORE bookkeeper arrives for reconciliation.</td>
<td>Raúl Aleman Maritza Sherburne Bookkeeper</td>
<td>Support from central office and or JP Morgan</td>
<td>Monthly Downloads</td>
<td>Admin Secretary Principal Both bookkeepers monthly</td>
<td></td>
</tr>
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<td>Safe will be as minimally used for collecting funds from teachers when admin secretary is not available. Teachers will be informed to bring their collection during their lunch breaks to make sure money is counted and deposited same day. Daily safe check/daily deposit time will be made.</td>
<td>Raúl Aleman Maritza Sherburne Melanie Knight Staff</td>
<td>Sign off sheet on safe for staff depositing in safe</td>
<td>Sign off sheet filled monthly in folder</td>
<td>Admin Séc Principal Daily</td>
<td></td>
</tr>
<tr>
<td>IAF Purchase for request forms have their own folder to be first screened by admin secretary and then signed by principal. Checks will be properly organized immediately afterwards for monthly reconciliation.</td>
<td>Raúl Aleman Maritza Sherburne</td>
<td>Request for Funds Form</td>
<td>Check Dates for request, principal signature receipt purchase and check</td>
<td>Admin Secretary Principal 2nd Bookkeeper monthly</td>
<td></td>
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</tbody>
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OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL

☑ Approved □ Please revise and resubmit plan by ____________

Comments: [Signature]

Director: [Signature] Date: 7/22/19