


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

March 28, 2018

MEMORANDUM

To: Mr. Craig O. Jackson, Principal
Woodlin Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2016, through February 28, 2018

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 and are charged with determining the manner in which funds are raised and expended for activities such as field trips, admission events, and fund-raisers. 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 March 23, 2018, meeting with you and Mrs. Mercedes I. Alvarado, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated January 27, 2017, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2017. 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

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 (refer to *MCPS*

Financial Manual, Chapter 20, page 9). We found that these important reviews were completed inconsistently during our audit period. We recommend that you initiate a process that ensures this important internal control process occurs monthly.

The principal shall designate, in writing, school employees who are authorized to sign checks. Their signatures and that of the principal's shall be entered on a signature card filed with the financial institution with a copy on file at the school. This list of check signers should be updated when the school's authorized employees change position assignments within the school or no longer are assigned to the school. With certain exceptions, all checks will bear two signatures, one of which is that of the principal (refer to *MCPS Financial Manual*, Chapter 20, page 6). A review of bank records disclosed that the principal's signature was not on a signature card with the financial institution. We recommend that the bank signature card be updated to include the signature of the principal.

Cash and checks collected by sponsors and others for the IAF activities should be remitted promptly to the school administrative secretary. Remittances received should, in turn, be promptly deposited into the school's bank account (refer to *MCPS Financial Manual*, p. 7-4). We found that these essential controls were not practiced. Large and infrequent deposits increase the possibility of loss or theft of funds as well as decrease the school's ability to fund activities. To minimize the risk of loss and provide available funds to meet the school needs, we recommend that all funds collected should be remitted to the school administrative secretary daily, and promptly deposited.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms signed by the principal should be retained. The school administrative secretary should establish a separate account in the IAF for each trip. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and submit the data to the school administrative secretary when a trip is completed (refer to *MCPS Financial Manual*, chapter 20, page 9). The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. A review of field trip activities disclosed that in most cases, sponsors did not prepare the final comprehensive financial information. We recommend that all sponsors be required to use MCPS Form 280-41, or equivalent, and follow the procedures outlined above. In addition, we recommend that the school administrative secretary complete a reconciliation of field trip activity based on the Form 280-41 as soon as the final comprehensive data is received from the sponsor.

Summary of Recommendations

- Monthly financial reports must be signed and dated by the principal to indicate review.
- The signatures of the principal and other authorized school employees will be recorded on a signature card with the financial institution and on file at the school.
- Funds collected by sponsors must be promptly remitted to the school administrative secretary and promptly deposited (**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 (**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. Eric A. Wilson, director of school support and improvement of elementary schools. Based on the audit recommendations, Mr. Wilson 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 financial agent to support you with developing a well-defined plan to address the findings.

RWP:BK:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Dr. Kimball

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Reilly


Mr. Tallur

Mr. Wilson

Mr. Ikheloa

Fiscal Management Action Plan

School: Woodlin_Elementary School

Approved by OSSI Director: 

Principal: Craig Jackson

Date of approval: 6/5/18

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Principal Is not on the current signature card and no delegation on file for Assistant Principal to sign in absence of the principal	Principal, Assistant Principal and Administrative Secretary completed new signature cards on 3/27/18	Completed	New Signature cards on file with SunTrust bank
Principal is not reviewing financial reports, primarily bank reconciliation and month end general ledger (year to date reports).	Principal will review and sign monthly reports upon complete of monthly bank reconciliation to be aware of financial situation to make accurate financial decisions for upcoming school events and obligations	Once per month	Signed and dated reports
Administrative Secretary and/or sponsors holding fund in excess o cash withholding thresholds.	All cash collected will be counted in front of the receiver and a receipt will be issued at that time, by the administrative secretary. Cash will be submitted by sponsors on a daily basis, and the administrative secretary will make deposits, to include on the last working day of each month and before each weekend or holiday.	Daily sponsor submission of funds Immediate receipt of funds Deposits daily as needed, last working day of the month, and before holidays and weekends.	Receipts of funds submitted and bank deposit statements.
Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the administrative secretary and promptly deposited.	Cash collected will be counted in front of the receiver and a receipt will be issued at that time, by the administrative secretary. Cash will be submitted by sponsors on a daily basis, and the administrative secretary will make deposits, to include on the last working day of each month and before each weekend or holiday.	Daily sponsor submission of funds Immediate receipt of funds Deposits daily as needed, last working day of the month, and before holidays and weekends.	Receipts of funds submitted and bank deposit statements.
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 trip.	Sponsors will provide complete class or club rosters and note how much each student has paid, to include the date, and any waivers or scholarships for students. Also, sponsors will include if a student is not attending the trip or activity. Sponsors will also provide this at the completion of the trip and compare remittance recorded to the trip account history report. The data will be used by the sponsors and administrative secretary to plan for future trips. Sponsors will plan carefully to ensure that they do not overcharge or undercharge for a trip for students. Sponsors will use MCPS Form 280-41 to record trip fees and provide complete data at the end of each trip. Trip planning will be reviewed by the administrative secretary and the principal	As needed for field trips	Completed Form 280-41 and any additional documents relevant to each trip.