

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 23, 2020

MEMORANDUM

To: Mr. James K. Allrich, Principal
Argyle Middle School

From: Mary J. Bergstresser, Supervisor, Internal Audit Unit



Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2018, through September 30, 2020

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 and 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 November 24, 2020, virtual meeting with you; Mrs. Lisa N. Shorts, principal intern; and Mr. Timothy W. Magruder, school financial specialist, we reviewed our prior audit report dated January 28, 2019, and the status of present conditions. It should be noted that Mr. Magruder's assignment as school financial specialist was effective August 21, 2019. 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 the principal's approval to proceed with an intended purchase. After acquisition, the purchaser must submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the school financial specialist. Upon disbursement, the

documentation is to be stamped or marked “paid” to preclude duplicate payment (refer to the *MCPS Financial Manual*, chapter 20, page 6). In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal, receipts were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received, and invoices supporting purchases were not stamped or marked “paid.” All IAF purchases must comply with MCPS procedures.

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 10th of the following month, using the online reconciliation program. In your action plan you indicated that all cardholders would review their transaction in the online program and that you would approve all transaction in the online program. We found that some cardholders had not promptly prepared their monthly statements and provided their purchase receipts for timely approval. We also noted that some cardholders had not promptly reviewed their transactions in the online reconciliation program and the principal had not approved all transactions by reviewing transactions online as required. Action must be taken immediately to correct these conditions and bring purchasing card usage into conformity with the *MCPS Purchasing Card User’s Guide*. We also suggest you obtain additional training with the Internal Audit Unit (IAU) team to eliminate outstanding transactions and institute procedures for staff to comply with MCPS purchase card requirements.

To properly control funds, all cash and checks collected by sponsors for IAF activities must be remitted promptly to the school financial specialist. These funds must then be verified in the presence of the remitter and a receipt that is supported by MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, must be issued promptly (refer to the *MCPS Financial Manual*, chapter 7, page 4). We found instances in which funds were held by sponsors rather than being remitted on a daily basis to the school financial specialist and the funds were not always promptly deposited into the school’s bank account. To minimize the risk of loss and provide availability of funds to meet school needs, we recommend that all funds collected be remitted daily to the school financial specialist for prompt deposit.

Sponsors of field trips must have a complete class or club roster of student names to annotate the amount each student paid, date paid, eligible students who did not participate in the trip, and students who received waivers, scholarships, or reduced fees. This data, together with a list of all chaperones and volunteers, must be provided to the school financial specialist at the completion of each trip and compared to remittances recorded in the trip account history report. We found that not all sponsors are providing completed data at the conclusion of each trip and that data is not being compared to the final account history report. All sponsors are required to submit MCPS Form 280-41, *Field Trip Accounting*, or equivalent and follow the procedures outlined above. This data must be reconciled by the financial specialist with remittances recorded in activity accounts (refer to the *MCPS Financial Manual*, chapter 20, page 10).

Sixth grade students at each middle school in MCPS participate in a three-day, two-night residential outdoor environmental education program (OEEP) for which they are assessed a \$76 fee to reimburse MCPS for the cost of personal expenses associated with the program. Students unable to pay the OEEP fee receive waivers that must be reported to MCPS so that the total amount of the invoice billed to schools is adjusted accordingly. A school also may charge an activity fee in addition to the OEEP fee. If the combined total amount a student can afford to pay for the OEEP fee, plus the school's activity fee equals \$76 or less, then the entire combined amount received from the student is to be remitted to OEEP (refer to *OEEP Grade 6 Residential Program Handbook and Planning Information*, page 44). We found that the school did not correctly report all funds collected from students who were identified as needing assistance, which then resulted in an underpayment to MCPS. We also noted that you collected funds from more students than for whom you were billed, indicating an inaccurate head count by the Lathrop E. Smith Environmental Education Center (Smith Center). You must review the procedures for reporting students needing financial assistance with the OEEP sponsor and the financial assistance forms need to be reviewed for accuracy before they are submitted. We also recommend that you reconcile your account to determine that all students who paid and attended were properly counted by the Smith Center.

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Purchase invoices must be annotated as "paid" to indicate disbursement was made.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide* (**repeat**).
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the school financial specialist (**repeat**).
- Field trip records that are prepared by sponsors must provide comprehensive data to account for all students eligible to participate and to reconcile funds collected with account history reports.
- OEEP sponsor records must correctly report funds collected and waivers granted for all participating students.

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. Sarah Sirgo, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools. Based on the audit recommendations, Dr. Sirgo will indicate whether she will conduct an electronic review

of your action plan or schedule a time to meet in person with you and your school financial specialist to support you with developing a well-defined plan to address the findings.

MJB:AMB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Stratman

Mrs. Williams

Dr. Wilson

Mrs. Dyson

Mrs. Camp

Mrs. Chen

Mr. Marella

Dr. Sirgo

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

School: Argyle Middle School	Principal: James Allrich	Fiscal Year: FY2021
Associate Superintendent: Cheryl Dyson		Director: Sarah Sirgo

Strategic Improvement Focus:

As noted in the financial audit for the period **December 1, 2018 – Sept. 30, 2020**, strategic improvements are required in the following business processes :

- Purchase Request and Receipt of goods
- Purchase card activity must comply with the MCPS Purchasing Card User’s Guide
- Remittance of funds by Staff
- Field Trip Records and Reconciliation
- Outdoor Education Records and Reconciliation

Action Steps / Recommendation	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
Staff will submit a purchase request 280-54 for Principal’s approval prior to purchase and all items will be received/inventoried through the finance office, once marked “okay to Pay” Financial Specialist (FS) will stamp 280-54 with Paid and the date.	Staff, FS, Principal	Purchase form (280-54), Presentation of financial procedures	Emails and Staff financial training,	Principal and Financial Specialist(FS) review all request and deliveries during weekly meeting	Completed purchase request forms with documented evidence of purchase with signatures and Paid stamp
MCPS purchasing card holders will review, sign and submit card statements to Financial Specialist (FS) for Principal approval and review by the 5 th of every month. Principal and FS will review transactions, for every cardholder, in weekly meetings with special attention to transaction notes and IAF account numbers.	Staff, FS, Principal	Purchasing card user’s guide, Website: https://www.paymentnet.jpmonitor.com	JP Morgan PaymentNet Approval Log page (https://www.paymentnet.jpmorgan.com) Emails	FS, Principal During Weekly Meetings	Printed Card statement by the 5 th of every month. Principal will review online transactions and approve by the 10 th of every month.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
Staff will collect and submit funds daily to Financial Specialist, who will verify and promptly deposit to the bank.	Staff, FS	Remittance forms availability, Presentation of financial procedure	Emails, Bank Statements	Financial Specialist(FS) and Principal during ongoing weekly meeting	Completed MCPS form 280-34 submitted within the same day as funds collection and deposit ticket
Field Trip sponsors will provide comprehensive data to account for students and reconcile funds collected	Field Trip Sponsor	Field Trip spreadsheet, field trip accounting form (280-41)	Field Trip checklist and spreadsheet	Financial Specialist and principal during weekly financial meeting	Completed field trip package, reconciliation and final account history report
Outdoor education sponsor will provide comprehensive data to account for students and reconcile funds collected	Outdoor Ed Sponsor	Field Trip spreadsheet, field trip accounting form (280-41)	Field Trip checklist and spreadsheet combined with Invoice from Smith Center	Financial Specialist and principal during weekly financial meeting	Completed field trip package, reconciliation and final account history report

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director:  _____	Date: <u>February 1</u> , 2021