


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

May 15, 2024

MEMORANDUM

To: Dr. Stacy L. Smith, Principal
Bells Mill Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2021, through February 29, 2024

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 April 17, 2024, meeting with you; Mrs. Lauri M. Over, school administrative secretary (secretary), and Ms. Susan Baumgardner, school visiting bookkeeper, we reviewed the prior audit report dated June 8, 2021, and the status of the 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

Transfers of funds between general ledger accounts may be made only after MCPS Form 281-46, *Independent Activity Funds – Transfer*, has been executed by both the account sponsor and the principal. Transfers must be fully documented and adhere to MCPS guidelines for allowable uses of funds. We found that transfers of funds were executed without completion of MCPS Form 281-46. In addition, we found that descriptions used on transfers did not convey the nature of the fund's movement. To improve internal controls, the secretary must be instructed to execute transfers only according to requests approved by the principal, or acting principal, on MCPS Form

281-46, and that transfer descriptions be clear to convey to the sponsor where and to the funds were transferred (refer to the *MCPS Financial Manual*, chapter 20, page 12).

The monthly bank statement shall be delivered directly to the principal for review of the statement, canceled checks, and other documents. The principal should have electronic access to the cleared checks through the bank's online banking system in order to identify the payee on any questionable checks if check images have not been provided by the bank (refer to the *MCPS Financial Manual*, chapter 20, page 9). Documents supporting the IAF reports are part of the financial records and must be maintained in the school office. Supporting documents include bank statements and copies of canceled checks. We noted that from March 2022 to June 2023 the school was not receiving copies of canceled checks from the bank, which prohibited us from reviewing checks written during the audit period. You must request that the bank provide images of canceled checks each month or provide access to cleared checks through the online banking system. Check images must be printed each month and presented to the principal for review along with the bank statement.

Internal control is a process of interconnected policies, regulations, and procedures, as well as employees' attitudes and actions that work together to provide a system of checks and balances to achieve proper authorization of expenditures and safeguarding of assets. The principal is the individual who has the overall fiduciary responsibility for the IAF (refer to the *MCPS Financial Manual*, chapter 20, page 4). We noted untimely recording of Automatic Clearing House (ACH) electronic deposits. You must initiate a monitoring process to enforce IAF policies, regulations, and procedures in order to promote timely and accurate recording of financial transactions. We further recommend that all electronic payments be posted when the school is notified of the transaction in order to maintain the integrity of the IAF account balances.

Aggregate school expenditures of general funds for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per individual staff member, per fiscal year (FY), without the prior written authorization of the Office of Finance (OOF) (refer to the *MCPS Financial Manual*, chapter 20, page 5). These expenditures must be appropriately recorded in accordance with the IAF chart of accounts. We found that you exceeded the total amount allowed in FY 2023, without approval of the OOF. We recommend that you adhere to the MCPS requirements.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card Users 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, or the statement of account landscape report, 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 the secretary had not promptly prepared her monthly statements, attached receipts and presented to principal for review until the start of our audit. 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 must be remitted promptly to the 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 the *MCPS Financial Manual*, chapter 7, pages 4-5). We noted that funds were taken to the bank and later receipted in SFO. We recommend that all funds remitted to the school must be receipted to the school's records before deposit into the school checking account.

Sponsors of field trips must have a complete class or club roster of student names to annotate the amount each student paid, by cash, check or online, the 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 secretary at the completion of each trip and compared to remittances recorded in the trip account history report (refer to the *MCPS Financial Manual*, chapter 20, page 10). School Cash Online (SCO) item attachment report may replace the field trip accounting sheet as long as all eligible students have data entered such as paid, waived, scholarship or did not attend. This report must be reviewed and initialed by the sponsor. In your action plan, you included that all sponsored field trips will use MCPS Form 280-41, *Field Trip Accounting*. We found that sponsors were not providing completed data at the conclusion of each trip and that data was not being reconciled to the final account history report. In addition, SCO was not properly maintained to report all payments received at the school. We recommend field trip sponsors use MCPS Form 280-41, or its equivalent, and provide complete data at the conclusion of each trip. This data must be reconciled by the secretary with remittances recorded in activity accounts.

Notice of Findings and Recommendations

- Transfers between accounts should be fully documented on MCPS Form 281-46.
- Monthly bank statement review must include cleared checks.
- Electronic transactions must be recorded timely in SFO (**repeat**).
- Total combined expenditures for staff appreciation and meeting refreshments may not exceed \$60 per individual staff member per fiscal year without prior approval of the OOF.
- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide* (**repeat**).
- Cash and checks (funds) remitted by sponsors must be receipted in SFO prior to being deposited in the bank by the secretary.
- Field trip records prepared by sponsors must provide comprehensive data to account for all eligible to participate, including volunteers and chaperones, and secretary must reconcile funds collected with account history report (**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 action plan, 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. Tamitha E. Campbell of school support and well-being, Office of School Support and Well-Being, for written approval of your plan. Based on the audit recommendations, she 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 administrative secretary to support you with developing a well-defined plan to address the findings.

MJB:YSG:rg

Attachment

Copy to:

Members of the Board of Education

Dr. Felder

Mr. Hull

Dr. Johnson

Ms. Dempsey

Dr. Moran

Mrs. Williams

Mr. McGee

Mr. Reilly

Ms. Bolden

Mrs. Chen

Dr. Campbell

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 04/17/24	Fiscal Year: FY21/22, FY23/24
School or Office Name: Bells Mill ES	Principal: Dr. Stacy L. Smith
OSSWB Associate Superintendent: Dr. Tamitha E. Campbell	OSSWB Director: Dr. Tamitha E. Campbell
Strategic Improvement Focus: As noted in the financial audit for the period <u>04/2021 - 2/2024</u> , strategic improvements are required in the following business processes :	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
MCPS Transfer form 281-46, was not attached to the IAF transfers for FY22 and FY23. Transfer descriptions in SFO are not specific to what is being transferred. Most of the transfers were done at year end.	Bookkeeper, Administrative Secretary and Account Sponsors.	MCPS form 281-46	Complete MCPS Transfer form 281-46, Independent Activity Fund.	Bookkeeper and Administrative Secretary each month.	Monthly transfers will be completed as needed.
Bank statements from March 2022 to June 2023 did not include copies of cancelled checks. From July 2023 to February 2024 administrative secretary printed the cleared checks on March 2024.	Bookkeeper, Administrative Sec and Principal	Truist Bank online account.	Copies of cancelled checks are to be included with the bank statement and kept together with the bank reconciliation reports. If bank statements are printed	Bookkeeper, Administrative Sec and Principal	Truist Bank online issues have been resolved and checks are being printed monthly.
We noted 6 late bank reconciliations. Two out of the six bank reconciliations have an explanation of why they were completed late.	Bookkeeper and Administrative Sec. and Principal	Schedule time with Principal prior to the 20th of the month.	Visiting Bookkeeper or administrative secretary document the reason for past due bank reconciliations. Bank reconciliation must be prepa	Bank reconciliation must be prepared and reviewed by the 20th day of the following month by Bookkeeper/Admin	Administrative Secretary will meet with Principal every month prior to the 20th of each month.
Electronic transactions are not recorded timely. VB records the transactions at the time of the bank reconciliation instead of on the date the admin sec is notified of the ACH transaction. D	Bookkeeper and Administrative Sec. and Principal	Review monthly emails for ACH transactions.	All electronic payments should be posted when the admin sec is notified of the transaction in order to maintain the integrity of the IAF account balances. The t	Bookkeeper and Administrative Secretary each month.	Communication with Bookkeeper to record all ACH electronic transactions.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
The amount allocated (\$4,020) for FY23 staff appreciation and refreshments (total \$4,703.14) was exceeded by \$683.14 without OOF approval.	Bookkeeper, Admin Sec and Principal	Meeting with Bookkeeper and Principal to transfer correct amount of mo.	Meet with Principal and Bookkeeper to transfer the correct amount at the beginning of the year.	Bookkeeper, Admin Sec and Principal in August or September.	Overage must be pre-approved by the OOF using form 281-55.
Cardholder is not turning in a signed statement of account landscape report each month from the JP Morgan website and submitted timely, to the principal. Reports from October and November of 2023 were printed on 02/26/24, December 2023 reports were printed on 01/31/24 and January 2024 reports were printed on 02/26/24.	Bookkeeper, Admin Sec and Principal	JP Morgan website	Calendar alerts to have landscape report printed by the 5th business day of the month.	Bookkeeper, Admin Sec and Principal each month	Statement of account landscape report will be printed and provided to the principal with all purchase receipts and invoices attached by the fifth busine
We found that the administrative secretary took funds to the bank for deposit prior to recording/posting in SFO.	Sponsors, Admin Sec, Principal and Bookkeeper	Sponsors must bring money before 1pm.	All funds remitted to the school must be receipted to the school's records before deposit into the school checking account.	Sponsors, Admin Sec daily collection of fund prior to 1pm.	Adm sec must record all funds collect all funds prior to 1pm
We noted that some of the field trips did not have a FT Reconciliation Form completed. There was no final accounting form that listed chaperones and volunteers attending. There was no final field trip accounting sheet listing students' payments, donations or waivers. No SCO reports were printed to give to sponsor for verification of pa	Sponsors, Admin Sec and Bookkeeper	SCO, MCPS FT forms	At the conclusion of each FT, a reconciliation of receipts and expenditures must be conducted in order to ascertain whether or not the amount of funds actually	VB, Admin sec can use the SCO item attachment report as the accounting form, but sponsor must sign/date	Admin Sec to give Team Leaders a Field Trip binder with step and examples of forms will be handed out at the beginning of each year.

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OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)	
<input type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments:	
Director: <u>Alana P. Murray</u>	Date: <u>8/16/24</u>