


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

September 20, 2022

MEMORANDUM

To: Ms. Laura M. Swerdzewski, Principal  
Beverly Farms Elementary School

From: Mary J Bergstresser, Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period  
July 1, 2019 through June 30, 2022

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 September 12, 2022, meeting with you and Ms. Bernadette Freeman, school administrative secretary (secretary), and Ms. Debra L. Taylor-Miller (who participated virtually), school visiting bookkeeper we reviewed the status of the conditions described in our prior audit report dated August 14, 2019, 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**

Sponsors of school activities that involve the collection or disbursement of IAF must be provided an account history report for each month in which transactions have been recorded in their accounts and/or the account has a balance. Sponsors are required to verify that transactions have been correctly recorded and that the ending balance is correct. We noted that the secretary was only providing the principal her monthly account history reports and not printing the reports for other

sponsors each month. We found that when sponsor reports were printed for other sponsors they were done for large periods of time. The secretary must prepare and deliver each month the account history reports to all sponsors, and sponsors must review and resolve any discrepancies in their accounts and return the signed statements to the secretary who will file them for review by the Internal Audit Unit (refer to the *MCPS Financial Manual*, chapter 20, page 9).

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 the *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 stamped as “paid” (refer to the *MCPS Financial Manual*, chapter 20, page 6). In our sample of disbursements, we found weaknesses such as prior approval was not consistently obtained; MCPS iPayments did not have an approved MCPS Form 280-54 attached, adequate support was at times missing; and supporting documentation was not stamped paid and/or not marked to indicate satisfactory receipt of the goods or services. In your action plan, you indicated that staff would be trained on the procedures for approval and how to complete MCPS Form 280-54, that they were going to provide written documentation/rationale for requests and also that the secretary would ensure receipt of signed forms/documents prior to any purchase/reimbursement. We recommend that MCPS Form 280-54 be prepared by staff with an estimate and signed by the principal as pre-approval for IAF purchases and MCPS iPayments, support documents be stamped paid, and invoices marked to indicate that items or services were received satisfactorily.

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 10th of the following month, using the online reconciliation program. We found that your secretary had not prepared her monthly statements, provided purchase receipts, or reviewed transactions in the online reconciliation program until the time of the audit. Your secretary did not always provide the description of items purchased, indicate if for students or staff, or indicated IAF account number when required. 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 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). In your action plan, you indicated that staff would be trained on the procedures for remittance of funds and completion of MCPS Form 280-34, and the secretary would sign the form as a documentation of receipt. You also indicated that the secretary

would make daily deposits. We found that at times staff were holding funds and not remitting to the secretary on a daily basis. We also noted that funds had been held by the secretary over the allowable Cash Holding Authority. In addition, we noted that remittances were not consistently supported by MCPS Form 280-34, *Remittance Slip*, and when the form was submitted it was not always filled in completely by the sponsor and secretary. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected must be remitted to the secretary daily and promptly deposited. In addition, all remittances on hand must be deposited before each weekend, end of month or holiday. We further recommend that all sponsors complete the remittance slip in its entirety and the secretary completes Part II.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Student Organization Trips*. Trip approval forms, signed by the principal, must contain all expense information, any subsidy information, and the field trip cost to be charged per student. Sponsors must record cost and fee information for each field trip on MCPS Form 280-41, *Field Trip Accounting*, or equivalent. The comprehensive information must include the names of all students who are eligible to participate in the trip annotated with the amount each student paid, those students who did not participate, and students who received waivers/scholarships or reduced fees to provide assurance that all field trip fees have been remitted. This data together with a list of all chaperones and volunteers must be provided to the secretary at the completion of each trip, and reconciled with the remittances recorded in the trip account history report (refer to the *MCPS Financial Manual*, chapter 20, page 10). In your action plan, you indicated that completed MCPS Form 280-41 would be provided to the secretary at the completion of each trip, and compared with remittances. We found that not all trips had approvals on file, 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. We recommend that the principal signs and dates all field trip requests, and that all sponsors be required to use MCPS Form 280-41: *Field Trip Accounting*, or equivalent, and follow the procedures outlined above. In addition, we recommend that the secretary prepare the reconciliation form, located on MyMCPS Business Center, as soon as the trip is completed.

### Summary of Recommendations

- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the secretary.
- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchase documentation must be adequate to support disbursements.
- Purchase invoices and receipts must be annotated as paid and purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchase card activity must comply with the MCPS Purchasing Card User's Guide.
- Cash and checks (funds) collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the secretary (**repeat**).
- Cash and checks (funds) remitted by sponsors must be promptly receipted and deposited in the bank by the secretary in accordance with Chapter 7 of the *MCPS Financial Manual*.

- Field trip request for approval forms must be signed and dated by principal, and retained on file.
- Field trip records remitted by sponsors must provide comprehensive data to account for all students eligible to participate, and the secretary must reconcile funds collected with the 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 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. Tamitha Campbell, acting director of school support and well-being, Office of Student Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Dr. Campbell 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 secretary to support you with developing a well-defined plan to address the findings.

MJB:YSG:lsh

Attachment

Copy to:

Members of the Board of Education  
Dr. McKnight  
Mr. Hull  
Dr. Murphy  
Ms. Reuben  
Mr. Stockton  
Mrs. Williams  
Dr. Moran  
Mr. Reilly  
Dr. Campbell  
Mrs. Chen  
Ms. Eader  
Mr. Klausling  
Mrs. Ripoli  
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN	
<b>Report Date:</b>	<b>Fiscal Year:</b>
<b>School:</b>	<b>Principal:</b>
<b>OSSWB Associate Superintendent:</b>	<b>OSSWB Director:</b>
<p><b><u>Strategic Improvement Focus:</u></b></p> <p>As noted in the financial audit for the period _____, strategic improvements are required in the following business processes :</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

<b>OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)</b>	
<input type="checkbox"/> <b>Approved</b> <input type="checkbox"/> <b>Please revise and resubmit plan by _____</b>	
Comments: _____ _____	
Director: <u>    <i>Tamitha E. Campbell</i>    </u> Date: _____	