

Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

February 6, 2025

MEMORANDUM

To: Mrs. Stephanie W. Nesmith  
Briggs Chaney Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
November 1, 2022, through November 30, 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 January 27, 2025, meeting with you and Mrs. Jan W. Snider; school financial specialist, we reviewed the prior audit report dated January 6, 2023, and the status of the present conditions. It should be noted that your appointment as principal was effective on July 1, 2024. 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. Transfers need to be executed once an activity is completed. We found that transfers of funds were executed without sponsor signature and were not completed timely. In addition, we

found that descriptions used on transfers did not convey the nature of the fund's movement. To improve internal controls, the financial specialist must be instructed to execute transfers only according to requests approved by the principal and obtain sponsor signature on Form 281-46, completed as soon as activity is concluded, and that transfer descriptions be clear to convey to the sponsors where funds were moved to and from (refer to the *MCPS Financial Manual*, chapter 20, page 12).

Reconciliation of the school's monthly bank checking account statement must be completed by a person independent of daily accounting transaction input. Monthly reports, including the bank reconciliation, are to be presented to the principal no later than the 20<sup>th</sup> of the month following the close of each month. The principal shall review these reports, sign and date them to indicate this review, and return them to the financial specialist to be filed with other monthly reports (refer to the *MCPS Financial Manual*, chapter 20, page 9). We found that bank reconciliations were not completed timely. We recommend that a staff member be designated to perform the bank reconciliation each month as soon as all entries through the last day of the month have been recorded by the financial specialist and that a contingency plan is in place if the school financial specialist or the designated bank reconciler is absent for an extended time.

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.

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the financial specialist with a completed MCPS Form 280-34 *Remittance Form*. The Form 280-34 must be completed and signed by the sponsor and reviewed by the financial specialist for accuracy when funds are verified in presence of staff member. These funds 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 the school's action plan, it indicated that they would develop a sponsorship process and review with all staff prior to the start of any activity. We noted that the financial specialist was not always making deposits regularly and funds were held over weekend, holiday's or the last working day of the month. We also noted that Form 280-34 was not always signed by the sponsor and corrections were not initialed by sponsor indicating knowledge of revision. To minimize the risk of loss, all funds remitted to the financial specialist must be deposited promptly to the bank and a contingency plan should be in place to secure funds and take them to the bank in the unforeseen absence of the school financial specialist.

### **Notice of Findings and Recommendations**

- Funds should not be transferred from an account without the sponsor's approval and descriptions should document where funds are transferred to and from.
- Bank adjustments must be posted timely.
- Monthly checking account reconciliation must be performed by the 20<sup>th</sup> day of the subsequent month being reconciled.
- Sponsors must sign MCPS Form 280-34, *Remittance* and initial all revisions.
- Cash and checks (funds) remitted by sponsors must be promptly received and deposited in the bank by the school financial specialist in accordance with Chapter 7 of the *MCPS Financial Manual (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 Mrs. Jewel A. Sanders, director of school support and improvement, Office of School Support and Improvement, for written approval of your plan. Based on the audit recommendations, Mrs. Sanders 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:LMB:rg

Attachment

Copy to:

Members of the Board of Education  
Dr. Taylor  
Mrs. Alfonso-Windsor  
Ms. McGuire  
Dr. Moran  
Mrs. Williams  
Dr. Redmond Jones  
Mr. Reilly  
Mrs. Chen  
Mr. Klausung  
Mrs. Sanders  
Mrs. Ripoli  
Ms. Webb

**FINANCIAL MANAGEMENT ACTION PLAN**

<b>Report Date:</b> February 6, 2025	<b>Fiscal Year:</b> 2024-2025
<b>School or Office Name:</b> Briggs Chaney Middle School	<b>Principal:</b> Mrs. Stephanie Nesmith
<b>OSSI Associate Superintendent:</b> Dr. Donna Redmond Jones	<b>OSSI Director:</b> Mrs. Jewel Sanders
<p><b><u>Strategic Improvement Focus:</u></b>          As noted in the financial audit for the period <u>2022-2024</u>, strategic improvements are required in the following business processes :          Cash Receipts / Handling of funds collected by Sponsors, Financial Reports &amp; Internal Controls</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
-Secure sponsor signatures and include transfer description at the conclusion of activity. -Send reminder email to sponsors at conclusion of activity to transfer funds (to and from) -Review files monthly and follow up with sponsors, as needed.	SFS - Jan Snider	None	Monthly Sponsor Reports  Journal Entry Registers  Activity folder	J. Snider and S. Nesmith  Monthly	More event accounts with zero balances by May.
-Bank Reconciliations will be completed on or before the 20th of each month -Confirmed the Green Button is pressed (which shows Audit the date it was hit). -SFS will record & notify Internal Audit if we're unable to submit on/before the 20th of any month, for any reason.	SFS - Jan Snider Admin. Sec - Krystal White-Prillman	None	Monthly Bank Reconciliation Report	J.Snider, S.Nesmith K. White-Prillman, Monthly	Dates before the 21st of the month at the bottom of each Bank Reconciliation Report
-ACH transactions will be posted to IAF accounts when notified	SFS - Jan Snider	None	Email notices and Monthly Bank Statements with ACH items.	J. Snider  Monthly	Tighter dates on posting and notices.
- SFS will review each 280-34 before filing to verify no corrections were made without sponsor initials. -SFS will remind sponsor to sign 280-34 IAF Remittance Slip forms & initial reviews	SFS - Jan Snider IAF Sponsors	None	Activity folder	J. Snider  At time of activity	No future findings

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
-Encourage parents use of SCO for field trips -Sponsors submit funds by 1:30p giving SFS time to deposit before bank closes -SFS will deposit funds according to the allowable CHA amount. Notations made when deposited in night box.	SFS - Jan Snider	None	Report to Principal any large amounts of funds collected by Sponsors.	J. Snider and S. Nesmith  At time of activity	No future findings

**OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)**

**Approved**       Please revise and resubmit plan by \_\_\_\_\_

Comments: .

Director:       Date: 03/08/25