


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

March 3, 2021

MEMORANDUM

To: Dr. Kimberly A. Thompson, Principal
Burning Tree Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2018, through January 31, 2021

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 February 12, 2021, virtual meeting with you; Mrs. Mariam R. Jamgochian, school administrative secretary (secretary); and Mrs. Susan Baumgardner, visiting bookkeeper, we reviewed the prior audit report dated April 19, 2018, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2020. 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

Before the IAF is used to pay for staff development expenditures, the availability of budgeted funds must first be considered. If the principal determines that the IAF is to be used for any staff

development expenditure, the source of the funds may not be student generated (refer to the *MCPS Financial Manual*, chapter 20, page 11). The accounting for staff development must be within the appropriate account per the IAF chart of accounts structure (refer to the *MCPS Financial Manual*, chapter 20, Appendix A *Chart of Accounts SFO*, pp. 23-29). We found that student funds were transferred from the general account to the staff development account and that disbursements for staff development were made directly from a general account and the PTA account. We recommend that you adhere to the MCPS requirement for the source of funds to support staff development and all related expenditures are recorded in the proper account.

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 marked as “paid” (refer to the *MCPS Financial Manual*, chapter 20, page 6). In our sample of disbursements, we found handwritten documentation of expenditures, rather than original invoices, and we found disbursements with no back-up documentation. Supporting documentation was not always marked to indicate satisfactory receipt of the goods or services. We recommend that proper support documents, as evidence of disbursements, are attached to MCPS Form 280-54 and the support documents indicate that items or services were received satisfactorily.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Other Student Organization Trips*. Sponsors of field trips must have a complete class roster of student names and annotate how much each student paid, date paid, students who did not participate in the trip, and students who received waivers or reduced fees. This data must be provided to the secretary at the completion of each trip and compared to remittances recorded in the trip account history report. We found that not all sponsors are turning in completed data at the conclusion of each trip and that data is not being compared to the final account history report. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, and provide complete data at the conclusion of each trip. The secretary should then utilize this data to complete a field trip reconciliation form available on the Business Center tab of myMCPS (refer to the *MCPS Financial Manual*, chapter 20, page 10).

Notice of Findings and Recommendations

- Accounting transactions must conform to the IAF chart of accounts and staff development must be funded by non-student funds (**repeat**).
- Purchase documentation must be adequate to support disbursements.
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate 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. Donna Redmond Jones, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Dr. Redman Jones 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:KMH:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Ms. Stratman

Dr. Wilson

Mrs. Williams

Mrs. Dyson

Mrs. Chen

Mr. Klausling

Mr. Marella

Dr. Redmond Jones

Mr. Reilly

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY2021	Fiscal Year: FY2021
School: Burning Tree ES - 419	Principal: Dr. Kimberly Thompson
OTLS Associate Superintendent: Cheryl Dyson	OTLS Director: Dr. Donna Redmond Jones
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>FY18 - FY21</u>, strategic improvements are required in the following business processes :</p> <p>Organization of documentation and ensuring appropriate accounts are used for purchases.</p>	


Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Admin Secretary will retake financial training parts 1 and 2 as a refresher.	Jamgochian	PDO	PDO attendance	Jamgochian March 2021 - Part 1 May 2021 - Part 2	--Adherence and knowledge of financial procedures.
Adhere to MCPS requirement for the source of funds to support staff development and all related expenditures are recorded in the proper account.	Jamgochian / Baumgardner	Accounts	Account review and correction sheets Summary of Accounts document	Jamgochian Corrections by March 2021 Review in July 2021	--account transactions lists
Financial procedures to be discussed with ILT for field trip sponsors. Sponsors complete form 280-41. Must have complete roster of student names and annotate how much student paid, date paid, who did not participate, and students who received waivers.	Thompson	Form 280-41	ILT Agenda Staff field trip forms	Jamgochian ILT Mtg 8/2021 Jamgochian/ Baumgardner review Oct 2021 & Mar 2022	--completed field trip accounting forms
Ensure proper support documents, as evidence of disbursements are attached to MCPS Form 280-54.	Jamgochian	Documentation Review	Admin Sec to review documentation with Bookkeeper	Jamgochian / Baumgardner July 2021 Oct 2021 March 2022	--completed request for purchase forms, approved by principal prior to expenditure

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchase a "received" stamp to document that items or services were received satisfactorily.	Jamgochian	Stamp	Admin Sec to review documentation with Bookkeeper	Jamgochian / Baumgardner July 2021 Oct 2021 March 2022	--orders stamped "received"

OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL

Approved **Please revise and resubmit plan by _____**

Comments: _____

Director:  Date: 4/16/21