

Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

July 10, 2020

MEMORANDUM

To: Mr. John W. Taylor, Principal  
Cabin John Middle School

From: Mary J. Bergstresser, Acting Supervisor, Internal Audit Unit *mjb*

Subject: Report on Audit of Independent Activity Funds for the Period  
April 1, 2018, through December 31, 2019

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 20, 2020, meeting with you and Mrs. Maggie H. Tung, school financial specialist, we reviewed our prior audit report dated July 9, 2018, 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

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statements, bank reconciliation report, and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date (refer to the *MCPS Financial Manual*, chapter 20, page 9). The principal did not consistently sign and

date the monthly Capital One and Sandy Spring bank statements. We recommend that you initiate a process that ensures this important internal control process occurs monthly.

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, and receipts were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received. All IAF purchases must comply with MCPS procedures.

Notice of Findings and Recommendations

- Monthly bank statements must be signed and dated by the principal to indicate review.
- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.

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. Peter O. Moran, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools. Based on the audit recommendations, Dr. Moran will indicate whether he 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:sh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Johnson

Mr. Turner

Dr. Wilson

Mrs. Ahn

Mrs. Camp

Mrs. Dyson

Mrs. Chen

Mr. Marella

Ms. McGuire

Dr. Moran

Mr. Tallur

Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> 2019	<b>Fiscal Year:</b> 2019
<b>School:</b> Cabin John MS - 606	<b>Principal:</b> John Taylor
<b>OSSI Associate Superintendent:</b> Ms. Cheryl Dyson	<b>OSSI Director:</b> Dr. Peter Moran

**Strategic Improvement Focus:**  
 As noted in the financial audit for the period 4/1/18 - 12/31/19, strategic improvements are required in the following business processes :  
 Consistently sign Monthly Bank Statements for IAF and CIF accounts. Use a consistent process to sign purchase requests, and confirm receipt of goods or services.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Financial Specialist creates a Signature Folder for Principal and regularly submits the Bank Statements for signature upon arrival in the building, or upon printing electronically.	Maggie Tung John Taylor Somer Snider	Folder	Administrative Secretary will review monthly to ensure the statements are signed before completing the reconciliation	John Taylor Judy Mills	
Form 280-54 to be filled in completely and approved by Principal signature prior to any purchase. Staff training on this requirement will occur during Pre-Service.	Maggie Tung John Taylor Somer Snider Staff Members	Form 280-54 Procedures Training and Directions in Staff Manual	Financial Secretary will ensure all RFP's are correctly completed before completing a purchase.	John Taylor Maggie Tung	
Staff to sign and date receipt of all received goods. The Financial Specialist will check in all received goods and mark original receipts as paid to preclude duplicate submissions. Staff Training to occur during Pre-Service and ongoing.	Maggie Tung John Taylor Somer Snider Staff Members	"Paid" Stamp Procedural Training	Financial Secretary and Front Office Staff will ensure that all received goods are checked in before disbursement	John Taylor Maggie Tung Sharon McNeil	

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

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> <b>Approved</b>	<input type="checkbox"/> <b>Please revise and resubmit plan by</b> _____
Comments: _____	
Director: <u>Peter O. Moran</u>	Date: <u>9/15/20</u>