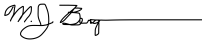


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 16, 2020

MEMORANDUM

To: Mrs.Carolynn Walsleben, Principal
Candlewood Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2018, through October 31, 2020

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 November 23, 2020, meeting with you, and Ms. Karen S. Lipscomb, school administrative secretary (secretary), we reviewed the prior audit report dated December 18, 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. It should be noted that your appointment as principal was effective July 1, 2020; and your secretary, Mrs. Lipscomb, was assigned her position effective December 9, 2019.

Findings and Recommendations

Unless prohibited, a principal may delegate in writing the authority to transact financial business to another individual. Any delegation impacting IAF actions shall be updated each fiscal year and filed in the school financial office (refer to the *MCPS Financial Manual*, chapter 20, page 4). Although we found no annually updated written delegation on file, we noted various documents signed by an

assistant principal acting in the principal's absence. We recommend that the principal sign, at the beginning of each fiscal year, a memorandum designating an acting principal.

Sponsors of school activities which 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 be required to verify that transactions have been correctly recorded. We noted that the secretary did not provide account history reports to the sponsors. The secretary must prepare and deliver the monthly account history reports to the 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. The purpose of each disbursement must be fully explained on this form in order to properly record expenditures in appropriate accounts and to ensure that expenditures comply with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. Upon disbursement, the secretary will stamp or mark the supporting documentation as "paid" (refer to the *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements, we found instances in which MCPS Form 280-54 was not signed by the principal prior to procurement, documentation was not annotated by recipient to indicate purchased goods or services were satisfactorily received, and not all receipts were stamped "paid". By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAFs. We recommend that MCPS Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and that invoices/packing slips be marked "received", signed and dated by the receiver once merchandise has been satisfactorily received. We also recommend that documentation be stamped or marked "paid" upon issuance of the check (refer to the *MCPS Financial Manual*, chapter 20, page 6).

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, pp. 4-5). We noted staff collecting funds were holding funds rather than remitting them timely to the secretary. Also, the secretary was not always making timely deposits and was holding money in excess of permitted amounts. 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. In addition, all remittances on hand must be deposited before each weekend or holiday. Cash must be counted in the presence of the remitter and a receipt that is supported by the remittance slip must be issued promptly. We noted that sponsors were not receiving a receipt generated from the School Funds Online (SFO) accounting program. Staff should monitor their remittances to the secretary to ensure they receive a receipt in a timely manner.

A review of field trip activities revealed that not all field trip sponsors are providing completed financial information to the secretary at the completion of a trip. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41, *Field Trip Accounting*, or equivalent,

and submit the data to the school administrative secretary when a trip is completed (refer to the *MCPS Financial Manual*, chapter 20, page 10). The record of the names of participants and sums collected strengthens internal controls by enabling the administrative secretary to perform a reconciliation of receipts collected to sums recorded in the field trip account. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above.

Notice of Findings and Recommendations

- Written delegations of the principal's authority to transact IAF financial business, updated for each fiscal year, shall be filed with the IAF records.
- 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**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made (**repeat**).
- Cash and checks (funds) remitted by sponsors must be promptly verified and receipted, prior to being deposited in the bank by the secretary (**repeat**).
- Field trip records prepared by sponsors must provide comprehensive data to account for all eligible to participate, including volunteers and chaperones, and to 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 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. Sarah E. Sirgo, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools. Based on the audit recommendations, Dr. Sirgo 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:ABP:lsh

Attachment

Copy to:

Members of the Board of Education
Dr. Smith
Dr. McKnight
Ms. Stratman
Dr. Wilson

Mrs. Williams

Ms. Dyson

Mrs. Camp

Mrs. Chen

Mr. Marella

Mr. Reilly

Dr. Sirgo

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:	Fiscal Year:
School:	Principal:
OTLS Associate Superintendent:	OTLS Director:
<p><u>Strategic Improvement Focus:</u> 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

OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL	
<input type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director: <u> <i>Sarah Sirgo</i> </u>	Date: _____