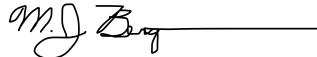


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

August 26, 2021

MEMORANDUM

To: Mr. Michael W. Burd, Principal
East Silver Spring Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2018, through June 30, 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 fund-raisers. 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 August 12, 2021, virtual meeting with you; Mrs. Stephanie Mathis, school administrative secretary (secretary), and Miss Ann Myers, visiting bookkeeper, we reviewed the prior audit report dated October 25, 2018, and the status of present conditions. It should be noted that Mrs. Mathis' assignment as secretary was effective July 17, 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

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). 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. The secretary will then mark the documentation as “paid” prior to disbursing the funds. In your action plan, you indicated that MCPS Form 280-54, *Independent Activity Funds Request For A Purchase*, would be prepared and signed by both requesting staff and yourself, prior to purchase. You also indicated that invoices would be marked as received and documentation would be stamped “paid”. In our sample of disbursements, we found instances in which purchases were not pre-approved, documentation supporting purchases was not stamped or marked “paid,” and invoices and online purchase confirmations were not always signed by the receiver to indicate goods or services were received, so that payment could be processed. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditure and signed by the principal at the time verbal approval is sought. We also recommend that all support documents be marked paid and when goods are received at the school that the purchase be verified as complete by the recipient and that the invoice/packing slip be marked “received” and signed/dated by the recipient. Requiring invoices to be marked “received” ensures that goods or services have been satisfactorily received prior to payment.

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 that former secretaries were not always making timely deposits. School staff must be encouraged to submit cash and checks collected for IAF activities to the secretary for prompt deposit in accordance with MCPS policy and procedures. To minimize the risk of loss, all funds collected must be remitted daily and deposited to the bank promptly.

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 be retained. Sponsors of field trips must have a complete class roster of student names to annotate the amount each student paid, date paid, eligible students who did not participate in the trip, and students who received waivers, scholarships, or reduced fees. This data, together with a list of all chaperones and volunteers, must be provided to the secretary at the completion of each trip, and compared to 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 all sponsors would provide a complete account of fees collected and compare to the account history report. We found that not all sponsors are providing completed data at the conclusion of each trip, data is not being compared to the final account history report, and not all trip approval forms were on file for review. This data must be reconciled by the secretary with remittances recorded in activity accounts. We recommend that all sponsors be required to use MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and follow the procedures outlined above.

Notice of Findings and Recommendations

- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate and to reconcile funds collected with an account history report. **(repeat)**
- 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 must be annotated as “paid” to indicate disbursement was made. **(repeat)**
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the secretary. **(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. Jennifer L. Webster, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Mrs. Webster 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:RCM:lsh

Attachment

Copy to:

Members of the Board of Education
Dr. McKnight
Mr. D’Andrea
Ms. Dawson
Ms. Reuben
Mrs. Williams
Mrs. Morris
Mr. Reilly
Mrs. Chen
Mrs. Eader
Mr. Klausling
Mr. Tallur
Mrs. Webster
Ms. Webb

East Silver Spring Elementary School

631 Silver Spring Avenue, Silver Spring, MD 20910 240-740-0620 Fax: 301-650-6424



September 28, 2021

MEMORANDUM

To: Mary J. Bergstresser, Supervisor, Internal Audit

From: Mr. Michael W. Burd, Principal
East Silver Spring Elementary School

Subject: Response to the Audit of Independent Activity Funds for the period of
September 1, 2018 through June 30, 2021

In accordance with the Montgomery County Public Schools (MCPS) Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, and the *MCPS Financial Manual*, this memorandum is in response to the recommendations made from the East Silver Spring Elementary School audit completed for the period September 1, 2021 through June 30, 2021.

The following procedures have been reviewed with the administrative secretary and will be shared with the staff through staff meetings, staff bulletins, and the online East Silver Spring share google drive.

At the time verbal approval is sought from the principal, form 280-54 will be prepared and signed by both the requesting staff member and the principal. The principal will ensure detailed documentation of each purchase is attached to the request prior to signing. The invoices for the purchase will be signed and dated by the receiver. The principal and administrative secretary will review for each purchase. Once received the invoice will be stamped "paid".

All receipts will be deposited promptly, and all receipts will be deposited on the last working day or each month. Staff will be encouraged to submit cash and checks collected for IAF promptly to the secretary.

We have not had any field trips run by the school at this point of the year. When we do, we will ensure all sponsors will use Field Trip Accounting form to provide complete roster information and note what each student paid, include the date, and waivers or scholarships for any student. Sponsors will check to make sure that the trip account history matches with the funds they have collected.

All individuals that have ordered goods and services will inventory the received goods, sign and date the receipts or invoices to confirm receipt of goods before disbursement. The principal and administrative secretary review each order monthly.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Burd", is written over a light blue circular stamp.

Michael Burd, Principal

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 9/1/18-06/30/21	Fiscal Year: 9/1/18-06/30/21
School: East Silver Spring ES - 756	Principal: Michael Burd
OTLS Associate Superintendent: Diane Morris	OTLS Director: Jenn Webster
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>2021-2022</u>, strategic improvements are required in the following business processes :</p> <p>IAF Account</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Form 280-54 will be prepared and signed by both the requesting staff and the Principal prior to purchase. Detailed documentation/rationale of the purchase will be attached to the request prior to signing. The invoices for purchase will be signed and dated by the receiver. Invoices will be marked as received and stamped "paid".	Stephanie Mathis, Administrative Secretary, Michael Burd Principal	Invoices, Stamp Paid, Checks, Receipts	Form 280-54 and all documentation relevant to the reimbursement, Stamp	Principal and Administrative Secretary for each monthly purchase	Completed form 280-54 with documentation of purchase and receipt of purchase stamped.
All receipts will be deposited promptly and all receipts will be deposited on the last working day of the month. Staff will be instructed to submit cash and checks collected for IAF promptly to the secretary. Email staff about the importance of submitting cash/checks for prompt depositing.	Stephanie Mathis, Administrative Secretary, Michael Burd Principal	Receipts, Deposit Slips	Calendar reminders, Deposit slips, Principal Newsletter as tool to remind staff	Principal and Administrative Secretary for each Deposit	Deposit slips
All sponsors will use form 280-41 to provide complete roster information and note what each student paid, include the date, and waivers or scholarships for any students. Sponsors will check to make sure that the trip account history report matches with the funds they have collected. Re-train staff on procedures for field trips.	Stephanie Mathis, Administrative Secretary, Michael Burd Principal	Accounting Form, Deposits Slips	Form 280-41 and any relevant documentation to remittance,	Principal and Administrative Secretary for each remittance	Receipts of funds submitted and bank deposit statements.
All individuals who have ordered goods or services will inventory the received goods, sign, and date the receipts or invoices to confirm receipt of goods before disbursement. Re-train staff about steps to take for reimbursement. Follow up with Principal Newsletter.	Stephanie Mathis, Administrative Secretary, Michael Burd Principal	Receipts, Invoices	Form 280-54 and any documentation relevant for reimbursement	Principal and Administrative Secretary for each monthly order	Notebook of purchases will be maintained with property documentation

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 checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____	
Director: <u>Jennifer L. Webster</u>	Date: <u>10 - 14 - 21</u>