


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

March 31, 2022

MEMORANDUM

To: Mrs. Lakeisha D. Lashley, Principal
Fairland Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2020, through January 31, 2022

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, 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 March 25, 2022, meeting with you; Mrs. Helen Hallas, school administrative secretary (secretary); and Ms. Debra Taylor-Miller, school visiting bookkeeper, we reviewed the prior audit report dated February 24, 2020, and the status of the present conditions. It should be noted that Mrs. Hallas' assignment as secretary was effective on March 11, 2021. 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 statement, the monthly bank reconciliation report, and ledger reports in a timely manner. A 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). We found that the principal had not always signed and dated the bank statement prior to the visiting bookkeeper completing the reconciliation. The monthly bank reconciliation and ledger reports were not consistently signed by the principal

to indicate review. We recommend that you initiate a process that ensures adequate review and maintenance of monthly financial reports of the IAF financial records.

The monthly bank statement shall be delivered directly to the principal for review of the statement, canceled checks, and other documents. The principal must have electronic access to the cleared checks through the bank's online banking system in order to identify the payee on checks if check images have not been provided by the bank (refer to the *MCPS Financial Manual*, chapter 20, page 9). Documents supporting the IAF reports are part of the financial records and should be maintained in the school office. Supporting documents include bank statements and cancelled checks. We noted that from October 2020 to March 2021, the school was not receiving copies of canceled checks from the bank, which prohibited us from reviewing checks written during the audit period. You must request that the bank provide images of canceled checks each month or provide access to cleared checks through the online banking system. Check images should be printed each month and presented to the principal for review along with the bank statements.

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. In your action plan, you indicated that you were going to meet weekly with the secretary to review the request for purchase. In our sample of disbursements, we found prior approval was not obtained for the majority of MCPS Form 280-54, that we could locate and the secretary was dating the MCPS Form 280-54, for the principal, which made it appear pre-approved. 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 with an estimate by staff and signed by the principal, at the time verbal approval is sought.

The *MCPS Purchasing Card Program* streamlines the process for making low-dollar purchases that are necessary for MCPS operations. Use of the purchasing card does not relieve the cardholder from complying with all MCPS regulations, the procedures in the *MCPS Procurement Manual*, or the *MCPS Financial Manual*. In the review of your purchase card transactions, we found that you purchased dinner meal supplies for staff, staff thanksgiving meeting refreshments, items for a buffer machine, and staff development materials for staff using the instructional materials allocation. It is recommended that you follow the guidelines outlined in the procurement manual on allowable purchases (refer to the *Purchasing Card User's Guide*, page 2).

Notice of Findings and Recommendations

- Monthly bank statements, bank reconciliations, and ledger reports must be signed and dated by the principal in a timely manner (**repeat**).
- A monthly bank statement review must include cleared checks.
- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide* (**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. Redmond 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:YSG:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. D'Andrea

Dr. Dawson

Ms. Reuben

Mrs. Williams

Dr. Dyson

Mr. Reilly

Mrs. Chen

Mrs. Eader

Mr. Klausung

Dr. Redmond Jones

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 03/31/2022	Fiscal Year: 03/31/2022
School: Fairland ES - 303 ▼	Principal: Dr. Lakeisha Lashley
OTLS Associate Superintendent: Dr. Cheryl Dyson	OTLS Director: Dr. Donna Redmond Jones
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>01/20-01/22</u>, strategic improvements are required in the following business processes :</p> <p>(1) Principal reviews monthly bank statements, etc in timely manner. (2) Prin. monitors compliance of purchasing card holders; (3) Prin. approves expenditures in advance.</p>	


Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Review, sign it and date bank statements and copies of cleared checks prior to reconciliation. (online statements and/or mailed statements)	Principal	MCPS Financial Manual (Ch. 20, page 9); calendar	Filed financial records	Monthly	Signed bank statements and reconciliation documents.
Meet to review and maintain the financial reports and IAF financial records	Principal Admin Sec	Chart of Accounts, MCPS Hub School Reports	Filed financial records	Weekly	Calendar/Meeting Schedule
Requests for purchase must be approved by the principal prior to procurement. Staff cannot procure items until principal signs, dates and approves estimated expenditures that staff submit on Form 280-54. Staff will be trained in pre-service mtgs and during the year.	Principal Admin Sec	MCPS Financial Manual (Ch. 20, page 4)	Filed financial records Staff Meeting Agenda	As needed	Staff Meeting (August, January 2022/2023) Organized Forms (280-54) with estimated requests signed by the principal prior to purchase
Review and comply with the MCPS Purchasing Card User's Guide to ensure staff only make allowable purchases, as listed in the procurement manual. Train staff on use of purchasing card.	Admin Sec Principal	Schools Funds Online Training modules	JP Morgan transaction log (online)	Monthly Pre-Service training of account holders	Chart of Accounts

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Principal will meet weekly with the administrative secretary to review requests for purchase.	Principal	Calendar	Weekly meetings	Weekly	280-54 forms with estimated requests signed by the principal prior to procurement

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

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

Comments: _____

Director:  Date: 5-18-22