


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 9, 2023

MEMORANDUM

To: Mr. Matthew W. Johnson, Acting Principal
Fallsmead 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 December 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 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 January 30, 2023, meeting with you; Mrs. Paola T. Valle, school administrative secretary (secretary); and Mrs. Susan V. Baumgardner, visiting bookkeeper; we reviewed the prior audit report dated February 14, 2020, and the status of present conditions. It should be noted that Mrs. Valle's assignment as secretary was effective July 1, 2022. 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

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS Purchasing Card User's Guide. By the fifth business day of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements, or the statement of account landscape report, must be printed and provided to the

approver, with all purchase receipts and invoices attached. The approver must review each cardholder's transactions and approve them by the 10th of the following month, using the online reconciliation program. The principal's card transactions are to be reviewed and approved by Mrs. Michelle E. Schultze, acting director of school support and well-being, Office of School Support and Well-Being. We found that that cardholders had not consistently entered information in the three required data fields (notes, account number, and staff/student account), and cardholders did not consistently indicate whether the receipt of goods or services was satisfactory received. It was noted that even though the school has sent a copy of the Statement of Account Landscape, with receipts attached to the directors office, the principal's transactions have not been approved in the online reconciliation program. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Notice of Findings and Recommendations

- Purchase card activity must comply with the MCPS Purchasing Card User's Guide;
- Purchase card transactions of the principal must be reviewed and approved by the respective director of school support and well-being, Office of School Support and Well-Being.

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. Michelle E. Schultze, director of school support and well-being, Office of Student Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Mrs. Schultze 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:AMB:rlg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. Hull

Dr. Murphy

Ms. Reuben

Mr. Stockton

Mrs. Williams

Dr. Moran

Mr. Matthew W. Johnson

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February 9, 2023

Mr. Reilly
Mrs. Schultze
Mrs. Chen
Ms. Eader
Mr. Klausling
Mrs. Ripoli
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

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|---|--|
| Report Date: February 9, 2023 | Fiscal Year: February 9, 2023 |
| School: Fallsmead Elementary School - 756 | Principal: Matt Johnson |
| OSSWB Associate Superintendent: Dr. Moran | OSSWB Director: Michelle Schultze |
| <p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>1/1/20 12/31/22</u>, strategic improvements are required in the following business processes :</p> <p>Purchase card activity must comply with MCPS Purchasing Card User's Guide and Purchase card transactions must be reviewed and approved by Director of OSSWB.</p> | |

| Action Steps | Person(s) Responsible | Resources Needed | Monitoring Tools / Data Points | Monitoring: Who & When | Results/Evidence |
|---|--|--|--------------------------------|---|------------------|
| Set up Outlook calendar reminders for the 5th day of every month to review transactions and enter information in the three required data fields. | Administrative Secretary and Principal | Outlook calendar and JP Morgan website | Outlook calendar reminders | Administrative Secretary and Principal | |
| Set up Outlook calendar reminders for the 10th day of every month to approve transactions using the on-line reconciliation program. Principal will approve card holders purchases and Director of OSSWB will approve purchases made on the principal's card | Principal and OSSWB Director | Outlook calendar and JP Morgan website | Outlook calendar reminders | Principal and OSSWB Director and Administrative Secretary | |
| When goods and services are received Administrative Secretary will mark items as "received" on the receipt/invoice. | Administrative Secretary | None | None | Principal | |
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| Action Steps | Person(s) Responsible | Resources Needed | Monitoring Tools / Data Points | Monitoring: Who & When | Results/Evidence |
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| OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB) | |
| <input checked="" type="checkbox"/> Approved | <input type="checkbox"/> Please revise and resubmit plan by _____ |
| Comments: | |
| Director: <u>Michelle Schultze</u> <i>Michelle Schultze</i> | Date: <u>2.17.23</u> |