


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

June 12, 2024

MEMORANDUM

To: Dr. Dacia F. Sewell, Principal  
Forest Oak Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
November 1, 2022, through March 31, 2024

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 May 20, 2024, meeting with you; Ms. Nicole A. Sosik, director of school support and well-being; and Mr. Dan Bamvi-Koua, school financial specialist, we reviewed the prior audit report dated January 6, 2023, and the status of the present conditions. It should be noted that your appointment as principal was effective March 6, 2023. 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**

The management of IAF must be in accordance with good business practices that include sound accounting and internal control procedures. We found that staff did not have adequate procedures in place for proper control and oversight of the IAF. As a result, we noted that cash receipts and disbursements are not always being recorded in the appropriate IAF accounts as outlined in the chart of accounts. Additionally, descriptions for all transaction types such as, receipts,

disbursements, transfers, journal entries, and voids are not always adequate to explain the accounting entry. We recommend that you work with your financial specialist to establish processes that will structure workflow to ensure control and appropriate oversight of the IAF, and to monitor transaction activity in an effort to reduce the number of errors (refer to the *MCPS Financial Manual*, chapter 20, page 1). In addition, we recommend that the school's accounts be brought into compliance with the latest chart of accounts, and that guidelines for uses of funds be reviewed.

Transfers of funds between general ledger accounts may be made only after MCPS Form 281-46, *Independent Activity Funds – Transfer*, has been executed by both the account sponsor and the principal. Transfers must be fully documented and must adhere to MCPS guidelines for allowable uses of funds. We found that at times transfers of funds were executed without completion of MCPS Form 281-46 and when the form was attached it at times was missing the principal's signature. We also noted that when the financial agent was completing the transfer form he at times prefilled the date for principal's signature. In addition, we found that descriptions used on transfers did not convey the nature of the fund's movement. To improve internal controls, the financial agent must be instructed to execute transfers only according to requests approved by the principal, or acting principal, on MCPS Form 281-46 and that the reason for transfer in School Funds Online (SFO) be clear to convey to the sponsors what was transferred in and out of an account (refer to the *MCPS Financial Manual*, chapter 20, page 12).

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. The monthly bank statement shall be delivered directly to the principal for review of the statement, canceled checks, and other documents. Review of these important statements and 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 reconciler completing the reconciliation, and at times copies of canceled checks were not included. We also noted that some of the checks were not sign by the principal or designee; checks were only signed by the financial agent. All checks must have two signatures, one of which is the principal unless the check is made out to him/her, or principal has delegated in writing another signer. In addition, the ledger reports were not consistently signed by the principal to indicate review and at times they were printed before the bank reconciliation was completed. We recommend that you initiate a process that ensures that the principal receives the monthly bank statement, including all canceled checks, signs all checks, and signs and dates all monthly reports in a timely manner. These monthly reports and statements must be filed with the IAF monthly financial records.

Sponsors of school activities that 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 account or the account has a balance. We found this essential internal control procedure was not always being used. We recommend sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the statements must be signed and dated by the sponsor to attest to

their accuracy. A procedure should be established to ensure that all statements are reviewed and returned (refer to the *MCPS Financial Manual*, chapter 20, page 10).

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 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 financial agent will then mark the documentation as “paid” prior to disbursing the funds. In our sample of disbursements, prior approval was not consistently obtained. We also noted instances in which controls over purchases were weakened including documentation supporting purchases were not always adequate, and at times did not match what was paid, invoices and receipts were not stamped or marked “paid”, invoices and online purchase confirmations were not always signed by the receiver to indicate goods or services were received, and that payment could be processed, and not all building service equipment was barcoded. We also found that many check requests were not filled out completely by the financial agent. 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. After MCPS Form 280-54 is approved and payment is processed the financial agent must complete part B to include the following information: check date, check number and check amount. 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. In addition, we recommend that the final invoice or receipt from the vendor matches amount being paid, and that staff ensure that equipment is properly coded and the inventory adjusted.

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 must be printed and provided to the principal with all purchase receipts and invoices attached. The principal must review each cardholder’s transactions and approve them by the 10th of the following month, using the online reconciliation program. We found that cardholders had not promptly reviewed their transactions in the online reconciliation program and not all transactions had been approved online. We found that cardholders were not always printing the statement of account landscape reports timely and cardholder’s online reviews of purchase card transactions did not always include the IAF account number, staff or students, or detailed description of what was purchased. We also noted that furniture and social committee items were purchased with the school purchase card, which is prohibited. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements

To properly control funds, all cash and checks collected by sponsors and other authorized individuals for IAF activities must be remitted promptly to the financial agent. These funds must then be verified in the presence of the remitter and a receipt that is supported by MCPS Form 280-

34, *Independent Activity Fund (IAF) Remittance Slip*, must be issued promptly (refer to the *MCPS Financial Manual*, chapter 7, page 4). A pre-numbered receipt shall be completed by the financial agent, and the original shall be given to the person who remitted the funds. This establishes documentary evidence for both parties that provides a written record of the source and amount of the funds for accounting purposes (refer to the *MCPS Financial Manual*, chapter 7, page 3). In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and either place the sealed envelope in the business office safe or receive written acknowledgement that it was provided to the financial agent. Verification of these funds will be conducted in the presence of the remitter, or another staff member, as soon as possible thereafter. 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, pages 4-5). We found that staff members were at times holding funds and that the financial agent was not always making timely deposits, and was holding money in excess of permitted amounts. Sponsors were not always receiving a copy of the receipt from their remittance and MCPS Form 280-34 was not always being completed by staff in its entirety. We also noted that at times checks were mailed to the school for field trips payments and the financial agent was opening the envelope without dual controls. In addition, the financial agent was receipting the funds from some outside sources to the sponsors, instead of the outside source. 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 financial agent daily. In addition, all remittances on hand must be deposited promptly, and always before each weekend, end of the month, or holiday. We recommend that a pre-numbered receipt be given to the person who remitted the funds and all funds be verified under dual control.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raising Activity*. In our sample, we noted two fund raisers that began before approval was obtained and a fund raiser request form was not completed for admissions events. We also noted that the school conducted fund raisers to benefit the staff. All fund raisers must be approved by the principal in writing, before being advertised, and the approvals must be retained in the financial office. Schools are not allowed to conduct fund raisers for the benefit of staff, unless for staff development expenditures.

Sponsors of field trips must have a complete class or club roster of student names to annotate the amount each student paid, the 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 financial agent 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). School Cash Online (SCO) item attachment report may replace the final field trip accounting sheet as long as all eligible students have data entered such as paid, waived, scholarship or did not attend. This report must be reviewed and initialed by the sponsor. We found that not all sponsors were providing completed data at the conclusion of each trip and that data was not being reconciled to the final account history report. In addition, SCO was not properly maintained to report all payments received at the school. We recommend field trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, and provide

complete data at the conclusion of each trip. This data must be reconciled by the financial agent with remittances recorded in activity accounts.

Admission receipts for events must be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. Admission event controls include the use of serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and a perpetual inventory of tickets. We noted that transactions were being recorded in club and class accounts, and that ticket reports were not always signed by the ticket controller when tickets were issued. We also noted that receipts and the expenditures were not recorded in the same admission event account. Concessions were recorded in the class or club account instead of the concession or dance admission account. The financial agent did not always prepare an accurate completion report for concession sales nor prepare a reconciliation of tickets sold for each event. In addition, tickets were not issued for two of the school's admission events. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events, that all tickets be serially numbered and issued by the ticket controller, and that a perpetual inventory is maintained. We also recommend that the financial agent records all receipts and disbursements in the appropriate IAF account, an accurate fund raiser completion report be prepared for concessions, all admission events issue tickets, and ticket reports be prepared to show all sales in order to reconcile tickets issued, returned and sold.

The yearbook sponsor is required to keep detailed records of the number of books sold, the price charged, as well as the number of books distributed free of charge (refer to the *MCPS Financial Manual*, chapter 20, page 14). We could not locate a signed copy of the yearbook contract, and the yearbook invoice, sales report for online and in school sales, and sponsor records were not found in the school's file. The financial agent also deposited the sale of yearbooks into the picture commission account and not into the yearbook account 3900.0000. We were therefore unable to determine that all funds generated from this activity had been remitted. We recommend the yearbook sponsor be counseled and assisted with the record-keeping required for this activity.

### **Notice of Findings and Recommendations**

- Accounting transactions must conform to the IAF standard districtwide chart of accounts and receipts and disbursements should be recorded in the appropriate IAF account.
- Transfers between accounts should be fully documented and transfer descriptions in SFO should be detailed.
- Monthly bank statements and general ledger must be signed and dated by the principal to indicate review, and include copies of canceled checks.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the financial agent.
- Purchase requests must be approved by the principal prior to procurement and documentation must be adequate to support disbursements (**repeat**).
- Purchaser must confirm receipt of goods or services and documentation must be annotated as "paid" (**repeat**).

- Certain equipment must be added to school inventory and gift cards are prohibited for staff members unless funds come from a staff owned account.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide* (**repeat**).
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the school financial specialist and deposited timely in the bank (**repeat**).
- A pre-numbered receipt must be given to sponsors after funds have been receipted in SFO, and all funds must be verified under dual control.
- Fund raisers must be approved by the principal prior to advertising or conducting the activity.
- Schools cannot conduct any fund raisers to benefit the staff, unless for staff development.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and financial agent must complete a reconciliation of funds collected (**repeat**).
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA (**repeat**).
- Yearbook sponsor records must account for the number of books purchased, sold, distributed at no cost, and ending inventory, and contracts must be on file.

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 Ms. Natasha Bolden, executive director of school support and well-being, Office of School Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Ms. Bolden 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 financial specialist to support you with developing a well-defined plan to address the findings.

MJB:YSG:rg

Attachment

Copy to:

Members of the Board of Education

Dr. Felder

Mr. Hull

Dr. Johnson

Ms. Dempsey

Dr. Moran

Mrs. Williams

Dr. Redmond Jones

Mr. Reilly

Ms. Bolden

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Ms. Sosik

Ms. Webb

**FINANCIAL MANAGEMENT ACTION PLAN**

<b>Report Date:</b>	<b>Fiscal Year:</b>
<b>School or Office Name:</b>	<b>Principal:</b>
<b>OSSWB Associate Superintendent:</b>	<b>OSSWB Director:</b>
<p><b><u>Strategic Improvement Focus:</u></b>          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

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

<b>OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)</b>	
<input type="checkbox"/> <b>Approved</b>	<input type="checkbox"/> <b>Please revise and resubmit plan by</b> _____
Comments: _____ _____	
Director: _____ <i>Nicole A. Sosik</i>	Date: <i>07/15/24</i>