


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 12, 2019

MEMORANDUM

To: Mr. Norman L. Coleman, Principal
Francis Scott Key Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2018, through September 30, 2019

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, 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 26, 2019, meeting with you and Mrs. Jackie L. Spear, school financial specialist, we reviewed our prior audit report dated June 25, 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.

Findings and Recommendations

Internal control is a process of interconnected policies, regulations, and procedures, as well as employees' attitudes and actions that work together to provide a system of checks and balances to achieve proper authorization of expenditures and safeguarding of assets. The principal is the individual who has the overall fiduciary responsibility for the IAF (refer to *MCPS Financial Manual*, chapter 20, page 4). We noted an absence of controls over IAF operations resulting in

untimely bank deposits, as well as poor maintenance of financial records. You must initiate a monitoring process to enforce IAF policies, regulations, and procedures in order to promote timely and accurate reporting of data.

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 school financial specialist did not provide account history reports to the sponsors. The school financial specialist 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 school financial specialist who will file them for review by the Internal Audit Unit (refer to *MCPS Financial Manual*, chapter 20, page 9).

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain the principal's approval to proceed with an intended purchase. After acquisition, the purchaser must submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the school financial specialist. Upon disbursement, the documentation is to be stamped or marked "paid" to preclude duplicate payment (refer to *MCPS Financial Manual*, chapter 20, page 6). In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal, receipts were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received, and invoices supporting purchases were not stamped or marked "paid." All IAF purchases must comply with MCPS procedures.

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 some cardholders had not promptly prepared their monthly statements and provided their purchase receipts for timely approval. We also noted that some cardholders had not promptly reviewed their transactions in the online reconciliation program, and the principal had not approved all transactions by reviewing transactions online as required. Action must be taken immediately to correct these conditions and bring purchasing card usage into conformity with the *MCPS Purchasing Card User's Guide*. We also suggest you obtain additional training with the IAU team to eliminate outstanding transactions and institute procedures for staff to comply with MCPS purchase card requirements.

To properly control funds, all cash and checks collected by sponsors for IAF activities must be remitted promptly to the school financial specialist. 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 *MCPS Financial Manual*, chapter 7, page 4). We found instances in which funds were held by sponsors rather than being remitted on a daily basis to the school financial specialist and not always promptly deposited into

the school's bank account. To minimize the risk of loss and provide availability of funds to meet school needs, we recommend that all funds collected be remitted daily to the school financial specialist for prompt deposit.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Student Organization Trips*. Trip approval forms, when required, must be signed by the principal and the director of learning, achievement, and administration, and retained for future reference. Sponsors of field trips should have a complete class or club 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 school financial specialist at the completion of each trip and compared to remittances recorded in the trip account history report. We found that not all sponsors are providing completed data at the conclusion of each trip and that data is not being compared to the final account history report. All sponsors are required to submit MCPS Form 280-41, *Field Trip Accounting*, or equivalent and follow the procedures outlined above. This data must be reconciled by the financial specialist with remittances recorded in activity accounts (refer to *MCPS Financial Manual*, chapter 20, page 10).

Sixth grade students at each middle school in MCPS participate in a three-day, two-night residential outdoor environmental education program (OEEP) for which they are assessed a \$76 fee to reimburse MCPS for the cost of personal expenses associated with the program. Students unable to pay the OEEP fee receive waivers that must be reported to MCPS so that the total amount of the invoice billed to schools is adjusted accordingly. A school also may charge an activity fee in addition to the OEEP fee. If the combined total amount a student can afford to pay for the OEEP fee, plus the school's activity fee equals \$76 or less, then entire combined amount received from the student is to be remitted to OEEP (refer to *OEEP Grade 6 Residential Program Handbook and Planning Information*, page 44). We found that the school did not correctly report all funds collected from students who were identified as needing assistance which then resulted in an underpayment to MCPS. We also noted that you collected funds from more students than for whom you were billed, indicating an inaccurate head count. You must review the procedures for reporting students needing financial assistance with the OEEP sponsor and the financial assistance forms need to be reviewed for accuracy before they are submitted. We also recommend that you reconcile your account to determine that all students who paid and attended were properly reported to MCPS.

Notice of Findings and Recommendations

- IAF must be managed in accordance with sound accounting practices and effective internal control procedures.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the school financial specialist.
- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.

- Purchase invoices must be annotated as “paid” to indicate disbursement was made.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*.
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the school financial specialist.
- Field trip records that are prepared by sponsors must provide comprehensive data to account for all students eligible to participate and to reconcile funds collected with account history reports.
- OEEP sponsor records must correctly report funds collected and waivers granted for all participating students.

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. Mary Jane Q. Ennis, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Ennis 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:AMB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Morris

Mrs. Camp

Mrs. Chen

Ms. Diamond

Dr. Ennis

Mr. Tallur

Mr. Marella

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY20	Fiscal Year: FY20
School: Francis Scott Key MS - 311	Principal: Mr. Norman L. Coleman
OSSI Associate Superintendent: Mrs. Dianne Morris	OSSI Director: Dr, Mary Jane Ennis
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>5/1/18 - 9/30/19</u>, strategic improvements are required in the following business processes :</p> <p>Please see areas noted below in action steps.</p>	

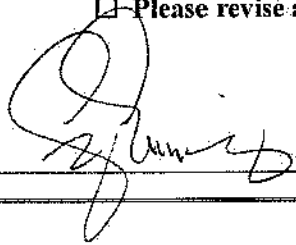
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Financial requirement training for staff (Process/Expectations): - field trip records and data submission - purchase requests: procurement and disbursement - Outdoor Education funds collection/accounting process	Financial Specialist, Ms. Jackie Spear	MCPS Forms: 280-54, 280-34	Monthly Financial Planning meetings with Financial Specialist, Ms. Jackie Spear	Principal, Norman L. Coleman, on a monthly basis	
Monthly account history reports provided to sponsors	Financial Specialist, Ms. Jackie Spear	Account History Reports	Monthly Financial Planning meetings with Financial Specialist, Ms. Jackie Spear	Principal, Norman L. Coleman, on a monthly basis	
Purchase cards usage and procedures refresher training	Financial Specialist, Ms. Jackie Spear	Purchase Card User's Guide	Monthly Financial Planning meetings with Financial Specialist, Ms. Jackie Spear	Principal, Norman L. Coleman, on a monthly basis	
Finance Training Refresher	Principal, Mr. Norman L. Coleman and Financial Specialist, Ms. Jackie Spear	n/a	March 2, 2020 class date	Principal, Norman L. Coleman	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Remitted funds properly verified, receipted, and deposited in bank on a weekly basis.	Financial Specialist, Ms. Jackie Spear		Monthly Financial Planning meetings with Financial Specialist, Ms. Jackie Spear	Principal, Norman L. Coleman, on a monthly basis	

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL

Approved
 Please revise and resubmit plan by _____

Comments: _____

Director:  _____ Date: 1/29/20