


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

June 9, 2023

MEMORANDUM

To: Mrs. Tara M. Strain, Principal  
Glen Haven Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
August 1, 2021, through March 31, 2023

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 19, 2023, meeting with you; Mrs. Sheila E. Dutch, school administrative secretary (secretary), and Mrs. Barbara L. Miller, visiting bookkeeper, we reviewed the prior audit report dated September 8, 2021, and the status of present conditions. It should be noted that your appointment as principal was effective April 8, 2022, and Mrs. Dutch's assignment as secretary was effective July 11, 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

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 the *MCPS Financial Manual*, chapter 1, page 3). Documents supporting the IAF reports are part of the financial records and must be maintained in the school office and filed logically to be readily available for audit or other purposes. IAF records shall be retained for five years after the close of the year to which they apply and until all audit requirements have been met, whichever is longer, and then destroyed (refer to the *MCPS Financial Manual*, chapter 20, page 16). Our review disclosed that an absence of controls over IAF operations resulted in untimely bank deposits, and poor maintenance of financial records. We recommend that you initiate a monitoring process to enforce IAF policies, regulations, and procedures in order to promote timely and accurate reporting of data

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase. 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 our sample of disbursements, we found instances in which purchases were not always preapproved, and invoices were not always signed by the receiver to indicate goods or services were received, and 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 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 sign/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, pages 4-5). We noted instances in which funds were held by sponsors rather than being remitted on a daily basis to the secretary. We also noted that the secretary was not always making timely deposits. 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 daily 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.

#### Notice of Findings and Recommendations

- IAF must be managed in accordance with effective internal control procedures that include safeguarding financial records until required audits are completed.
- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Cash and checks (funds) collected by sponsors must be promptly remitted to the secretary and deposited in the bank by end of the month and before each weekend or holiday.

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. Peter O. Moran, associate superintendent of school support and well-being, Office of Student Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Dr. Moran will indicate whether he 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:AMB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. Hull

Dr. Murphy

Ms. Morris

Mr. Stockton

Mrs. Williams

Dr. Moran

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> FY23	<b>Fiscal Year:</b> FY23
<b>School:</b> Glen Haven ES - 767 <input type="checkbox"/>	<b>Principal:</b> Tara Strain
<b>OSSWB</b> <b>Associate Superintendent:</b> Dr. Peter Moran	<b>OSSWB</b> <b>Director:</b>
<b><u>Strategic Improvement Focus:</u></b> As noted in the financial audit for the period <u>8/1/21 - 3/31/23</u> , strategic improvements are required in the following business processes :	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Cash and checks (funds) collected by sponsors must be promptly remitted to the secretary and deposited in the bank by the end of the month and before each weekend or holiday	Principal Asst. Principal Admin Sec All Sponsors	MCPS Form 280-34 Deposit Slip SFO	Funds collected by sponsors will be documented on form and turned in every day. Admin secretary will verify and sign form as receipt.	Admin secretary for each remittance. Sponsors daily as funds are collected.	Receipts of submitted funds and bank deposit statements.
Review expectations for completing purchase requests with staff during pre-service. Requests will be rejected if they have not followed the proper process.	Principal Asst. Principal Admin Secretary Purchase Requestor	MCPS Form 280-34	Properly submitted purchase requests	Ongoing by Admin and Admin Secretary	Properly submitted purchase requests
Review expectations for confirming receipt of goods or services with all staff during pre-service. Rembursement will not be provided until the goods have been properly received.	Principal Asst. Principal Admin Secretary Purchase Requestor	MCPS Form 280-34	Properly dated receipts	Ongoing by Admin and Admin Secretary	Properly dated receipts
Initiate monitoring process to enforce IAF policies, regulations, and procedures in order to promote timely and accurate reporting	Principal Asst. Principal Admin Secretary Visiting Book keeper	Documented Financial Records MCPS Financial Manual	Monthly meetings with the administration, admin secretary, and visiting book keeper	Monthly by administration, Admin Secretary and visiting book keeper	Documents aligned with MCPS expectations.

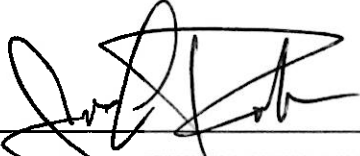
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**OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)**

**Approved**

**Please revise and resubmit plan by \_\_\_\_\_**

Comments: \_\_\_\_\_

Director: 

Date: 7/26/23