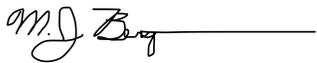


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

September 20, 2021

MEMORANDUM

To: Mrs. Jennifer A. Seidel, Principal
Greenwood Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
August 1, 2018, through July 31, 2021

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, 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 September 10, 2021, meeting with you; Mrs. Lillian E. Gascon, school administrative secretary (secretary), and Mrs. Barbara L. Miller, visiting bookkeeper, we reviewed the prior audit report dated September 5, 2018, and the status of the present conditions. It should be noted that your appointment as principal was effective July 16, 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

Contracts, such as those for student pictures, vending, or cell towers, may include a provision for the payment of a commission and/or bonus. If a contract has this provision, school staff must understand how the commission or bonus is calculated and confirm that the school receives full payment under the contract terms when due. Verification is critical to ensure that the school

receives all funds due. These types of accounts are commission based only and should not have any disbursements recorded in them. Transfers can be done to accounts that will benefit from the commissions. We noted you had disbursements recorded in your cell tower and picture accounts. We recommend that all annual commissions be recorded in the proper districtwide account, and transfers made as needed.

Aggregate school expenditures of IAF activities for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per individual staff member, per fiscal year, without the prior written authorization from the Office of Finance (OOF) (refer to the *MCPS Financial Manual*, chapter 20, page 5). These expenditures must be appropriately recorded in accordance with the IAF chart of accounts. We found that you exceeded the total amount allowed in Fiscal Year (FY) 2019 and 2020, without the approval of the OOF. We recommend that you adhere to the MCPS requirements and check these account transactions monthly for a greater degree of accountability. In order to have a good system of internal control for cash handling, the system has to provide adequate procedures for protecting all receipt stock. Once a receipt has been printed, it shall not be erased or altered. Should an error be discovered, the receipt shall be marked "Void" and another receipt issued. The receipt must also be voided in the school accounting program. All voided copies shall be retained in the files for audit purposes. We noted that you did not have copies of several receipts and they were not recorded in the school's accounting program. We recommend that if you damage any receipt stock that you mark the stock as "Void" and also void in the accounting software program.

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, pp. 4-5). We recommend that in order to improve internal controls, all funds be receipted and a deposit analysis completed in the School Funds Online (SFO), school accounting software, prior to making deposits at the bank. We found several instances where the secretary recorded deposits in SFO after the bank deposit was completed. We recommend adherence to the remittance and receipting of funds process outlined in the *MCPS Financial Manual* (refer to the *MCPS Financial Manual*, chapter 7, page 5).

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund-Raiser*. We found that there was a lack of adherence to these guidelines in an FY 2019 and FY 2020 book fair fund-raiser. Following these internal control procedures provides for accountability of funds raised, as well as the ability to evaluate the results at the conclusion of the event. We recommend that each fund-raiser be documented by advance written principal approval, recorded in a separate account, and a completion report prepared that analyzes the results (refer to the *MCPS Financial Manual*, chapter 20 page 13).

Notice of Findings and Recommendations

- Commission only accounts, such as cell towers and pictures, should not have direct disbursements recorded in the account (**Repeat**).

- Expenditures for staff refreshments and appreciations must adhere to published guidelines.
- Receipts must be properly voided and retained with the school records.
- Cash and check remittances must be recorded as a deposit in SFO prior to depositing at the bank.
- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results.

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 Mr. Christophe Turk, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Mr. Turk 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:PJM:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. D'Andrea

Ms. Dawson

Ms. Reuben

Mrs. Williams

Mr. Koutsos

Mr. Reilly

Mrs. Chen

Mrs. Eader

Mr. Klausling

Mr. Tallur

Mr. Turk

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:	Fiscal Year:
School:	Principal:
OTLS Associate Superintendent:	OTLS Director:
<p><u>Strategic Improvement Focus:</u> 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

OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL	
<input type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director: _____	Date: _____