


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

October 20, 2023

MEMORANDUM

To: Mr. Scott R. Steffan, Principal
Highland Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2020, through August 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 October 6, 2023, meeting with you; Mrs. Miriam D. Stewart, school administrative secretary (secretary); and Ms. Sandra L. Windlan, visiting bookkeeper, we reviewed the prior audit report dated December 31, 2020, 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

School Financial Training (SFT) Part I, is required for principals within their first year of assignment. Refresher training is recommended every three years because policies, regulations, procedures, and technology applications are continuously updated (refer to the MCPS *Financial Manual*, chapter 1, page 9). We noted that you have not taken the SFT Part I since 2015 and your secretary has not taken SFT Part I and II since 2015 as well. We recommended that you

immediately sign up to take SFT Part I and that your administrative secretary sign up for both SFT Part I and II.

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 transfers of funds were executed without completion of MCPS Form 281-46 and when the form was attached it was missing the principal's signature. In addition, we found that descriptions used on transfers did not convey the nature of the funds movement. To improve internal controls, the secretary 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 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).

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 that this essential internal control procedure was not being used and that there was not a clear process to identify which sponsors had returned their reports. We recommend sponsors be given a monthly account history report of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the reports must be signed and dated by the sponsor to attest to their accuracy. These reports will then be returned to the secretary who will file them for review by the Internal Audit Unit. A procedure must be established to ensure that all reports 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, pages 4-5). The purpose of each disbursement, the IAF account name/number to be charged, the request date, the balance available in the account, and the signatures of the sponsor, financial agent and principal, are required in order to properly charge appropriate accounts and to ensure that expenditures comply with IAF requirements. After MCPS Form 280-54 is approved and payment is processed the secretary must complete part B to include the following information: check date, check number and check amount. We found that MCPS Form 280-54 was not completed fully by the sponsor nor the secretary, and in some occasions were missing the principal's signature. We recommend that MCPS Form 280-54 be completed by staff with all requested information in order for the principal to retain control over the expenditure of IAFs, that the secretary completes part B of the form and that the principal sign all requests for purchases.

IAF funds cannot be used to buy gift cards for staff members. The gift card purchases exception ended on October 16, 2020. Purchase of gift cards for MCPS employees, unless the funds used for purchase are derived solely from staff contributions and disbursed from a staff owned account, are prohibited. As explained in IRS Publication 17, a gift card given to an employee is considered as extra salary or wages regardless of the amount involved and is, therefore, taxable. We recommend that gift cards for staff appreciation are no longer purchased with the IAF.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card Users 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. We found internal control weakness in that cardholders did not print, or prepare their monthly statements, provide descriptions of items purchased, indicate IAF account numbers when required, attach their purchase receipts, or review their transactions in the online reconciliation program. We also found that the principal had not approved some cardholders' transactions. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the secretary, along with a completed MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance*. 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 at times, staff were holding funds and not remitting to the secretary when received. We also noted that funds had been held by the secretary over the allowable *Cash Holding Authority* (CHA). In addition, we noted that funds collected from students and remitted to the secretary were not always accompanied by a remittance slip. When MCPS Form 280-34, was turned in to the secretary they were not always completed in their entirety by the sponsor and at times were missing the date, description, account number, signature, and total amount collected. Some also were missing the secretary's signature, date received, and receipt number. At times, sponsors were not receiving a receipt generated by School Funds Online (SFO), and the bank deposit slips were not verified by the bank. MCPS Form 280-34 is required for student fees because it identifies the source and purpose of remittance and helps insure that fees collected have been properly authorized. We recommend that staff be required to prepare and remit MCPS Form 280-34 with each remittance, and that all funds collected must be remitted daily and deposited to the bank promptly. We also recommend that a pre-numbered receipt be completed by the secretary with the original given to the sponsor who remitted the funds, and the secretary must take the bank deposit slip to the bank for verification.

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 secretary 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). We found that sponsors are not providing completed data at the conclusion of each trip, and that the data was not being reconciled to the final account history report. We recommend that all trip sponsors be required to use MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and this data be reconciled by the secretary with remittances recorded in activity accounts. The use of School Cash Online (SCO) to record all payments will greatly

improve the ability to reconcile all field trips and track which students have paid, were waived, or did not attend.

The MCPS Financial Manual, Chapter 20, Appendix A, provides guidance on standard IAF chart of accounts pertaining to districtwide standard accounts for consistency in financial reporting. We found instances of nonconformity, and noted that sometimes transactions were not classified properly in appropriate accounts. For example, many disbursements were recorded in districtwide cell tower account established as a revenue only commission account. We recommend that the school's accounts comply with the latest chart of account guidelines.

Notice of Findings and Recommendations

- Principal must attend SFT Part I and the secretary must attend SFT Part I and Part II.
- Transfers between fund accounts must be fully documented and approved on MCPS Form 281-46. Descriptions must convey where funds came and went from.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the secretary.
- MCPS Form 280-54 must be fully completed by sponsor and secretary for principal's approval.
- Gift cards are prohibited for staff members unless funds used were contributed by staff.
- Purchase card transactions must be documented, reviewed, and approved by the principal online, and the statement of account landscape report must be printed and provided to the principal with all purchase receipts and invoices (**repeat**).
- MCPS Form 280-34, must be completed in full and accompany every remittance and be filed in accordance with Chapter 7 of the *MCPS Financial Manual* (**repeat**).
- Staff members remitting funds must be issued a receipt from School Funds Online.
- Funds collected by sponsors must be promptly remitted to the secretary and promptly verified, receipted, and deposited in the bank in accordance with Chapter 7 of the *MCPS Financial Manual* (**repeat**).
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate and the secretary must reconcile funds collected with the account history report.
- Accounting transactions must conform to the IAF standard districtwide chart of accounts.

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. Joe L. Rubens Jr., 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, Dr. Rubens Jr. 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:YSG:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Dr. Collins

Mr. Hull

Dr. Kimball

Mr. Stockton

Mrs. Williams

Dr. Moran

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausing

Mrs. Ripoli

Dr. Rubens Jr.

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: November 10, 2023	Fiscal Year: November 10, 2023
School or Office Name: Highland Elementary - 774	Principal: Scott Steffan
OSSWB Associate Superintendent: Dr. Peter Moran	OSSWB Director: Dr. Joe Rubens
<u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>10/1/20 - 8/31/23</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
Principal is registered for SFT Part 1 on 2/8/24. Administrative Secretary is registered for SFT Part 1 on 2/8/24 and for SFT Part 2 on 12/12/23.	Principal and Admin. Sec'ty			Principal and Admin. Sec'ty	Refresher: School Finance Training
Transfer of funds between accounts will be recorded on form 281-46 and filed in the transaction folder in the month the transfer was made. Principal's signature and the description will verify the transfer made between accounts.	Principal and Admin. Sec'ty			Principal and Admin. Sec'ty	Principal's signature, date and description will verify the transfer
Sponsors of school activities that report transactions or has an account balance is given a monthly history report for review, verification and signature. The date of signature will also be added for accuracy.	Sponsors and Admin. Sec'ty			Sponsors and Admin. Sec'ty	Signature with a date line added will attest accuracy
IAF Request for a Purchase, MCPS form 280-54 is always approved by the principal in advance before a purchase is made and with requested information	Principal and Admin. Sec'ty			Admin. Sec'y	Account number and account's available balance will be added on the form to charge the appropriate account.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Gift cards for staff appreciation recognition, such as retirement, staff leaving, etc., will no longer be purchased from the IAF.	Principal			Principal and admin. sec'ty	No purchases of gift cards for staff appreciation
A review of purchasing card transactions by card holders will continue to be submitted to the principal by the 5th of the month. The Principal will review and approve it by the 10th of the following month. Card holders to print landscape report and submit receipts to principal for signature approval.	Cardholders Principal			Cardholders to review transactions by the 5th of the month	Principal will review and approve purchase card transactions by the 10th of the following month
Staff submits funds for deposit on form 280-34 to secretary daily. Sec'ty will work with staff on completing form 280-34 in its entirety (date, signature, description). Secretary will continue to make deposits daily and give sponsors a pre-numbered receipt. Bank will be given 2 copies of a deposit slip to stamp for verification.	Sponsors and secretary			Admin. Sec'ty	Admin. Sec'ty will work with staff to verify collected funds and completion of form 280-34
Sponsors of field trips will turn in a complete class roster MCPS 280-41 (field trip accounting) at the end of the field trip with dates and amount paid by students. This is in addition to MCPS 280-34 (IAF Remittance Slip)	Sponsors			Sponsors and Admin. Sec'ty	Admin. Sec'ty will work with sponsors on submitting 280-41 and 280-34 and reconcile data
IAF Districtwide Chart of Accounts - Transactions using funds from these accounts (ex: cell tower) will have a transfer made to the General account with a description of the charges.	Admin. Sec'ty Principal			Admin. Sec'ty Principal	Transfer of funds from Districtwide Chart of accounts to the General account will be made for transactions along with a description of the charges

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

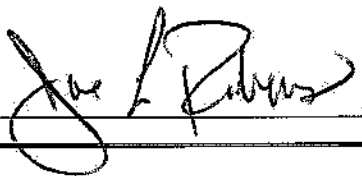
OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

☒ Approved

☐ Please revise and resubmit plan by _____

Comments:

Director: _____



Date: 11/20/23