


Internal Audit Unit
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

September 5, 2023

MEMORANDUM

To: Mrs. Pamela R. Parker, Acting Principal
Montgomery Knolls Elementary School

From: Mary J Bergstresser, Supervisor, Internal Audit Unit 

Subject: New Principal Appointment Review of the Report on Audit of Independent Activity Funds for the Period November 1, 2019, through December 31, 2022

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 and are 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.

It should be noted that your appointment as acting principal was effective July 1, 2023. When a new principal is appointed to a school, we normally conduct an audit of Independent Activity Funds (IAF). Based upon the recently conducted audit of March 7, 2023 (see attachment), it is not necessary to conduct another IAF audit at this time. At our August 21, 2023, meeting with you, and Mrs. Beatriz Velasquez, school administrative secretary, we reviewed the prior audit report, and the status of present conditions. No response to this report is necessary

MJB:ABB:rlg

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. Klausing

Mr. McGee

Mrs. Ripoli


Ms. Webb

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

March 16, 2023

MEMORANDUM

To: Mrs. Arienne M. Clark-Harrison, Principal
Montgomery Knolls Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2019, through December 31, 2022

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 March 7, 2023, meeting with you; Mrs. Pamela Parker, assistant principal; and Ms. Mayelin Estefan Jimenez Santana, school administrative secretary (secretary), we reviewed the prior audit report dated January 21, 2020, and the status of the 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. It should be noted that Ms. Jimenez Santana's assignment as secretary was effective August 16, 2021.

Findings and Recommendations

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 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 pre-approved, MCPS documentation supporting purchases not always stamped or marked “paid”, and 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. 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 all support documents be marked “paid”, and that the invoice/packing slip be marked “received” and signed/dated by the recipient when goods are received at the school. Requiring invoices to be marked “received” ensures that goods or services have been satisfactorily received prior to payment.

Independent contractors or consultants working in schools must comply with all laws and MCPS requirements set forth in the *Procurement Manual*. MCPS Form 280-49A: *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF)* is used to document authorization/approval for all consultant/independent contractor services paid with IAF. We found that that Form 280-49A had not been completed for all payments to independent contractors during our audit period. We recommend the project manager initiate MCPS Form 280-49A to document the authorization and approval to pay a consultant/independent contractor with IAF (refer to the *MCPS Financial Manual*, chapter 15, page 2).

Controls over cash receipts need improvement. Staff collecting funds were holding funds at times, rather than remitting them timely to the secretary. Also, the secretary was not always making timely deposits and was holding money in excess of permitted amounts. Infrequent deposits increase the possibility of a loss of funds, diminish the school’s ability to fund activities, and are contrary to the MCPS Financial Manual. 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 secretary daily (refer to the *MCPS Financial Manual*, chapter 7, page 4). In addition, all remittances over permitted amounts must be deposited and all funds must be deposited before each weekend, holiday or last day of the month.

Sponsors of field trips must 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 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). In your action plan you indicated that all sponsors would provide comprehensive data at the conclusion of each trip. We found that sponsors are not providing completed data at the conclusion of each trip, and that data is not being compared to the final account history report. We recommend that all sponsors be required to use MCPS Form 280-41: *Field Trip Accounting*, or equivalent, and that trip sponsors be required to provide complete data at the conclusion of each trip, and this data be reconciled by the secretary with remittances recorded in activity accounts.

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement and purchaser must confirm receipt of goods or services.
- Disbursements made to independent contractors must have MCPS Form 280-49A completed in advance.
- Cash and checks (funds) collected by sponsors must be promptly remitted, and deposited timely (**repeat**).
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and administrative secretary must reconcile funds collected with account history report (**repeat**).

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. Sean P. McGee, 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, Mr. McGee 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:ABB:rg

Attachment

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FINANCIAL MANAGEMENT ACTION PLAN

| | |
|---|---|
| Report Date: 2023 | Fiscal Year: 2023 |
| School: Montgomery Knolls ES 776 | Principal: Arianne M. Clark-Harrison |
| OSSWB Associate Superintendent: Peter Moran | OSSWB Director: Sean McGee |
| <p><u>Strategic Improvement Focus:</u></p> <p>As noted in the financial audit for the period <u>11/1/19 -12/31/22</u>, strategic improvements are required in the following business processes :</p> <p>Accounting for Financial Operations/Independent Activity Funds</p> | |

| Action Steps | Person(s) Responsible | Resources Needed | Monitoring Tools / Data Points | Monitoring: Who & When | Results/Evidence |
|--|--|--|---|--|------------------|
| A bi-weekly meeting will be held with the administrative secretary and principal to ensure the consistent management of the IAF in accordance with sound accounting practices and effective internal controls; | Administrative Secretary and Principal | IAF slips | | Administrative Secretary/Principal & Bi-weekly | |
| All funds will be submitted to the administrative secretary on a daily basis and the administrative secretary will make bank deposits when the amount presented is more than the amount permitted to keep overnight. All funds kept overnight will be secured in a combination safe. | Administrative Secretary | Remittance forms, cash, checks, deposit slips | Remittance forms & Deposit Slips | Administrative Secretary & daily or as needed | |
| At the conclusion of all field trips sponsors will submit a final accounting spreadsheet (i.e., MCPS Form 280-41-Field Trip Accounting or equivalent). Based on this information the administrative secretary will reconcile each trip. | Field trip sponsors and Administrative Secretary | class roster of student names and chaperones indicating payments | class roster to annotate the amount each student paid, date paid, eligible students who did not participate, students who received waivers, or reduced fees | Administrative Secretary & daily leading up to payment deadlines | |
| The administrative secretary will ensure all payments made to independent contractors for a service will have MCPS Form 280-49A-Authorization for Consultant/Independent Contractor (Vendor) Services completed by the sponsor and approved by the Division of Procurement prior to services being rendered. | Program Sponsor and Administrative Secretary | Form 280-49A & IAF | Approved form 280-49A & approved IAF | Program Sponsor, Administrative Secretary, Principal & as needed based on scheduled events | |

| Action Steps | Person(s) Responsible | Resources Needed | Monitoring Tools / Data Points | Monitoring: Who & When | Results/Evidence |
|--|---|--|---|---|------------------|
| MCPS Form 281-25-Yearbook Analysis will be completed even when all sales are done online through the vendor to ensure all money due to them is received. The administrative secretary will verify the Yearbook invoices with the contract to ensure the terms are being met. | Yearbook sponsor and Administrative Secretary | Form 281-25, yearbook invoices, contract | Form 281-25, yearbook invoices, contract | Yearbook sponsor & Administrative Secretary | |
| All disbursements require Form 280-54 before any purchases are made. All 280-54 requests for purchases will be signed by the principal prior to purchases being made. Staff will be told if the 280-54 is not submitted before purchases are made, reimbursements will not be honored. | Staff making a request, Administrative Secretary, Principal | Form 280-54 | Form 280-54 & receipts will be stamped "REC'D" and "PAID" before disbursement | Administrative Secretary/Principal & ongoing as forms are submitted | |
| A delegation memo will be created at the beginning of each fiscal year to allow a principal designee to sign approvals and checks. | | | | | |
| A staff training on Independent Activity Funds (IAFs) will be held annually during pre-service week to train all staff members that handle money. This training will explain the expectations and protocols staff must follow. | Administrative Secretary, All staff | Sample IAF form, training presentation | Staff sign-in to confirm participation | Administrative Secretary & Pre-service | |

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

☒ **Approved** ☐ **Please revise and resubmit plan by _____**

Comments: I have reviewed the finding and the action plan and approve of the steps moving forward.

Director:  Date: 4/14/23