


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

February 25, 2022

MEMORANDUM

To: Ms. Debra A. Berner, Principal  
Lakewood Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
July 1, 2019, through November 30, 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 February 22, 2022, meeting with you; and Mrs. Patricia W. Staines, school administrative secretary (secretary), and Ms. Debra (Lynn) Taylor-Miller, visiting bookkeeper, we reviewed the prior audit report dated June 22, 2019, 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 transactions are recorded and maintained using computerized double-entry bookkeeping software, School Funds Online (SFO). Each school shall use SFO two-part prenumbered receipt and check forms. Checks and receipts shall be issued in strict numerical sequence. These checks and receipts are computer generated; therefore, access to the controls for printing them must be limited. We found that starting in September 2020, the secretary had been

recording receipts and checks manually in SFO, handwriting checks, and printing receipts on blank paper. Additionally, the issued numbered blank receipt stock was not defaced. The issued blank receipt stock was attached to the daily deposit packet indicating that the remitters were not given a pre-numbered receipt, establishing evidence of written documentation of the date, source, and amount of funds deposited for accounting purposes. We recommend that all receipts and checks are entered in SFO and printed on SFO issued stock, and a receipt that is supported by the remittance slip be issued promptly to the remitter. Hand-written checks should only be done under extraordinary circumstances. We also recommend that any issued blank stock is defaced and kept on file. (Refer to *MCPS Financial Manual* chapter 7, page 4, and chapter 20, page 6).

Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In your action plan, you indicated that purchase invoices would be available for staff to sign for goods and that staff would continue to be informed and monitored regarding this protocol. In our sample of disbursements, 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. Purchasers must sign invoices to indicate satisfactory receipt of goods or services prior to payments being processed. We 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 signed/dated by the recipient. Requiring invoices to be marked “received” ensures that goods or services have been satisfactorily received prior to payment.

#### Notice of Findings and Recommendations

- Receipts and checks must be processed in SFO and printed on the issued stock.
- Purchaser must confirm receipt of goods or services prior to disbursement (**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 Mrs. Jennifer L. Webster, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Mrs. Webster will indicate whether she will conduct an electronic review of your action plan or schedule a time to meet in person with you and Mrs. Staines to support you with developing a well-defined plan to address the findings.

MJB:LMB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight  
Mr. D'Andrea  
Dr. Dawson  
Ms. Reuben  
Mrs. Williams  
Mrs. Morris  
Mr. Reilly  
Mrs. Chen  
Mrs. Eader  
Mr. Klausling  
Mrs. Ripoli  
Mrs. Webster  
Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> February 28, 2022	<b>Fiscal Year:</b> February 28, 2022
<b>School:</b> Lakewood ES - 209	<b>Principal:</b> Ms. Debra A. Berner
<b>OTLS Associate Superintendent:</b> Mrs. Diane Morris	<b>OTLS Director:</b> Dr. Jennifer Webster
<p><b>Strategic Improvement Focus:</b>                  As noted in the financial audit for the period <u>2019-2021</u>, 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
1. Receipts and Checks must be processed in SFO and printed on the issued stock. Sponsors will receive a sequentially numbered receipt generated in SFO so as to verify remittance was posted properly and in a timely manner. A new printer was purchased; therefore, checks and receipts will no longer be handwritten.	Administrative Secretary Principal	N/A	At monthly bank reconciliation with Bookkeeper	Administrative Secretary Principal Bookkeeper	
2. Purchaser must confirm receipt of goods/services prior to disbursement (repeat). *Invoices received for goods will be signed, dated and satisfactorily received by the receiver prior to a disbursement being made. This will apply to p-card purchases as well. *Staff will continue to be informed and monitored regarding this protocol.	Administrative Secretary Recipient of goods/services	N/A	At monthly bank reconciliation with Bookkeeper	Administrative Secretary Principal Bookkeeper	

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 checked="" type="checkbox"/> <b>Approved</b>	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments:	
Director: <u>Jennifer L. Webster</u>	Date: <u>4 / 5 / 22</u>