


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

April 27, 2023

MEMORANDUM

To: Dr. Ebony-Nicole Kelly, Principal  
Lakewood Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
December 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 April 14, 2023, meeting with you; Mrs. Andrea Lyn-Brown, school administrative secretary (secretary), and Mrs. Debra L. Yamada, visiting bookkeeper, we reviewed the prior audit report dated February 25, 2022, and the status of the present conditions. It should be noted that your appointment as principal was effective July 1, 2022, and your secretary's assignment was effective August 15, 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**

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We found that there was a lack of adherence to these guidelines. We found that sponsors of field day and 5th grade t-shirt sales were not preparing fundraiser request forms

to obtain your approval prior to the start of the activity, and the activities were not recorded in a fund raiser account. We also noted that sponsors were not submitting a completion report when the fundraisers were finalized. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. We recommend that each fund raiser be approved by the principal in writing and the approval retained in the school office. Financial activities for each fundraising activity must be recorded in a separate account in the 7000 series and a completion report be prepared that analyzes the results (refer to the *MCPS Financial Manual*, chapter 20, page 12). We further recommend that the balances in the t-shirt accounts be transferred to the benefiting accounts.

All disbursements from a school's IAF, except those made from a school's petty cash fund, will be made by check or Automated Clearing House (ACH) drawn on the school's IAF bank account. Regardless of the documentation that approved the procurement of goods and services, all disbursements from a school's IAF other than for petty cash items will be approved by the principal using MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, prior to expenditure of funds. Disbursements made by ACH with multiple IAF accounts to be charged, such as MCPS i-Payment are to include a summary spreadsheet detailing the IAF account(s) to be charged with the principal approved MCPS Form 280-54. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt, and the school administrative secretary will mark the documentation as "paid" (refer to the *MCPS Financial Manual*, chapter 20, page 6). In our sample of disbursements, we found instances in which controls over purchases were weakened that included MCPS Form 280-54 not being prepared when paying MCPS iPayment. We recommend that MCPS Form 280-54 be prepared prior to paying MCPS iPayments.

### **Notice of Findings and Recommendations**

- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*.
- Purchase requests must be approved by the principal prior to procurement, including MCPS iPayments.

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. Michelle E. Schultze, acting 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, Mrs. Schultze will indicate whether she will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school administrative secretary to support you with developing a well-defined plan to address the findings.

MJB:PJM:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. Hull

Dr. Murphy

Ms. Reuben

Mr. Stockton

Mrs. Williams

Dr. Moran

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Mrs. Schultze

Ms. Webb

**FINANCIAL MANAGEMENT ACTION PLAN**

<b>Report Date:</b>	<b>Fiscal Year:</b>
<b>School:</b>	<b>Principal:</b>
<b>OSSWB Associate Superintendent:</b>	<b>OSSWB Director:</b>
<p><b><u>Strategic Improvement Focus:</u></b>          As noted in the financial audit for the period _____, strategic improvements are required in the following business processes :</p>	

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

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

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)	
<input type="checkbox"/> <b>Approved</b>	<input type="checkbox"/> <b>Please revise and resubmit plan by</b> _____
Comments: _____ _____	
Director: _____ <i>Michelle Schultze</i> _____	Date: _____