


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

August 5, 2022

MEMORANDUM

To: Dr. Harold A. Barber, Principal
JoAnn Leleck Elementary School at Broad Acres

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

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2020, through June 30, 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 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 August 1, 2022, meeting with you; Miss Elsa E. Morales, school administrative secretary (secretary); and Mrs. Sandra Windlan, visiting bookkeeper, we reviewed the prior audit report dated August 19, 2020, and the status of the present conditions. It should be noted that Miss Morales' assignment as secretary was effective February 8, 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

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 addition, 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, must be approved by the principal using MCPS Form 280-54, prior to disbursement of funds. MCPS iPayment disbursements made by Automated Clearing House (ACH) with multiple IAF accounts to be charged are to include a summary spreadsheet detailing the IAF account(s) to be charged with the principal’s approved Form 280-54 for the total disbursement. In our sample of disbursements, we found instances in which controls over purchases were weakened including incidents where the MCPS Form 280-54 was not approved prior to the commitment of IAF activities, documentation for purchases was missing, and a lack of principal approval for the disbursement of funds when paying MCPS iPayments. We also found instances in which documentation supporting purchases were not stamped or marked “paid”. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditures and signed by the principal at the time verbal approval is sought and prior to disbursement of funds. We also recommend that all support documents be stamped paid.

Use of the *MCPS purchasing card* must be in accordance with the requirements of the *MCPS Purchasing Card User’s 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 principal, with all purchase receipts and invoices attached. The principal must review each cardholder’s transactions and approve them by the 10th of the following month, using the online reconciliation program. We found that cardholders had not printed their monthly statements, provided the description of items purchased, indicated IAF account number when required, attached their purchase receipts, or reviewed their transactions in the online reconciliation program to allow the principal to approve all transactions online. 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. 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). In our sample of cash receipts, we found sponsors held fees collected rather than remitting them to the secretary on a daily basis. We also noted that the secretary was not always making timely deposits, and not on the last working day of each month and before each weekend or holiday. To minimize the risk of loss, all funds collected must be remitted daily and deposited promptly.

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 sponsors would keep

comprehensive financial information on all student payment records and remit them to the secretary at the completion of a trip. A review of field trip activities revealed that not all field trip sponsors are providing comprehensive financial information to the secretary at the completion of a trip and records are not reconciled to remittances recorded in the trip account history report. All sponsors must be required to use MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and all fees collected must be remitted daily to the secretary for prompt deposit. We recommend 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

- ACH disbursements must be documented using MCPS Form 280-54.
- Purchaser requests must be approved by the principal prior to procurement.
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made.
- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide*.
- Cash and checks (funds) collected by sponsors must be promptly remitted intact with MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, to the secretary.
- Cash and checks (funds) remitted by sponsors must be promptly receipted and deposited in the bank by the secretary in accordance with Chapter 7 of the *MCPS Financial Manual*.
- Sponsors must keep comprehensive data to account for all students eligible to participate, and the secretary must reconcile funds collected with an 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 Ms. Diane D. Morris, associate superintendent, Office of Student Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Ms. Morris 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 secretary to support you with developing a well-defined plan to address the findings.

MJB:HT:lsh

Attachment

Copy to:

Members of the Board of Education
Dr. McKnight
Dr. Murphy

Ms. Reuben
Mr. Stockton
Mrs. Williams
Ms. Morris
Mr. Reilly
Mrs. Chen
Ms. Eader
Mr. Klausling
Mrs. Ripoli
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:	Fiscal Year:
School:	Principal:
OSSWB Associate Superintendent:	OSSWB 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 SCHOOL SUPPORT AND WELL-BEING (OSSWB)	
<input type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director: <u><i>Diane D. Morris</i></u>	Date: _____