


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

June 23, 2023

MEMORANDUM

To: Mr. Evan H. Bernstein, Principal  
Little Bennett Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
September 1, 2021, through April 30, 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 June 12, 2023, meeting with you, and Mrs. Cynthia Hustek, school administrative secretary (secretary), we reviewed the prior audit report dated November 2, 2021, and the status of the present conditions. It should be noted that your appointment as principal was effective July 1, 2022, and Mrs. Hustek's assignment as secretary was effective January 23, 2023. 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**

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 MCPS Form 280-49A had not been completed for all payments to independent contractors during our audit period. We recommend the sponsor or secretary 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).

In order to properly control receipts, cash and checks collected by sponsors for IAF activities must be remitted promptly to the secretary along with a completed MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*. Cash must be counted in the presence of the remitter, and a receipt that is supported by the remittance slip must be issued promptly. An important internal control is for the sponsor to complete MCPS Form 280-34 in its entirety, and submit it to the secretary. During our review of cash receipts, we noted that sponsors are not always completing the remittance slip in its entirety, and at times the previous secretary would complete missing fields on their behalf. MCPS Form 280-34 is required for collection of funds because it identifies the source and purpose of remittances and helps insure that fees collected have been properly authorized. We recommend staff be required to prepare and submit an MCPS Form 280-34 in its entirety to the secretary, and the secretary verify that the remittance slip is completed properly. Any discrepancies should be corrected and initialed by both parties at the time funds are counted.

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the secretary. These receipts must be deposited promptly, additionally 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 the school's action plan, it was indicated that sponsors would remit funds collected promptly. 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)*. We recommend that all sponsors are reminded that they must remit funds on the day they are collected to minimize the risk of loss and the secretary deposit funds to the bank promptly.

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

- Disbursements to contractors that perform a service must have a MCPS Form 280-49A *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF)* approved prior to service being provided.
- A completed MCPS Form 280-34 *Independent Activity Fund (IAF) Remittance Slip* must be completed in its entirety by the sponsor and funds verified under dual control.
- Cash and checks (funds) collected by sponsors must be promptly remitted to the school administrative secretary and deposited timely (**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. Christophe Turk, 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. Turk 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 school administrative secretary to support you with developing a well-defined plan to address the findings.

MJB:LMB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. Hull

Dr. Murphy

Ms. Morris

Mr. Stockton

Mrs. Williams

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Mr. Turk

Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> FY 23	<b>Fiscal Year:</b> FY 23
<b>School:</b> Little Bennett ES - 336	<b>Principal:</b> Evan Bernstein
<b>OSSWB Associate Superintendent:</b> Diane Morris	<b>OSSWB Director:</b> Christophe Turk
<p><b>Strategic Improvement Focus:</b>          As noted in the financial audit for the period <u>9-1-21-4/30/23</u>, strategic improvements are required in the following business processes :</p>	

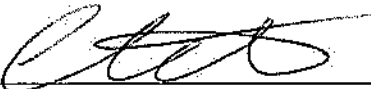
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
The appropriate forms for hiring an independent contractor are currently in use as of January, 2023 and were submitted for the contractor who visited LBES in May of 2023. This process will continue	Cynthia Hustek Evan Bernstein	None	Review of field trip information will ensure the proper procedure was followed	Admin. Secretary/Principal  When contractors are requested	
During Pre-service, it will be made clear to staff that all forms submitted regarding school funds must be complete and accurate.	Cynthia Hustek Evan Bernstein	None	Forms submitted will be reviewed for completion and returned if incomplete	Sponsors/Admin. Secretary  Review of forms at time of remittance	
The current administrative secretary will continue to collect and review funds from staff as needed. Staff will be reminded during pre-service of the MCPS requirement regarding submitting funds on the day of collection, as well as other financial processes. Further events will not be approved if proper procedure isn't followed.	Cynthia Hustek Evan Bernstein	None	Frequent review of financial documents will highlight any areas needing attention	Sponsors/Admin. Secretary  Frequent review of submitted forms	

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**OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)**

Approved       Please revise and resubmit plan by \_\_\_\_\_

Comments:

Director: 

Date: 06/28/23