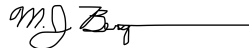


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 16, 2021

MEMORANDUM

To: Mrs. Renee D. Wallace-Kimbrue, Principal
North Chevy Chase Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2018, through March 31, 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 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 9, 2021, virtual meeting with you; Ms. Christina H. Haynes, school administrative secretary (secretary), and Ms. Sue Reidy, visiting bookkeeper, we reviewed the prior audit report dated June 6, 2018, 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

Transfers of funds between general ledger accounts may be made only after MCPS Form 281-46, *Independent Activity Funds—Transfer*, has been executed by both the account sponsor and the principal. Transfers must be fully documented and adhere to MCPS guidelines for allowable uses of funds (refer to the *MCPS Financial Manual*, chapter 20, page12). We found transfers that were processed in the school financial system without approval by the principal, sponsor, and/or

secretary and lacked adequate descriptions. We recommend that transfers are reviewed to ensure that requests are supported by the use of MCPS Form 281-46 to include proper documentation, descriptions to support the appropriate use of funds, and required signatures.

Blank checks and receipt stock, not in use by the financial agent to conduct daily business, must be adequately secured in a locked cabinet or safe to which the financial agent does not have independent access. Each box of blank checks and receipt stock not currently in use must be labeled and sealed so that any tampering would be obvious (refer to the *MCPS Financial Manual*, chapter 20, page 7). We found that the inventory of blank checks and receipt stock are stored in the school safe and the secretary has access to the stock. We recommend that in order to improve the internal control of checks and receipt stock, a log be maintained with dual control when stock is issued to the secretary, recording the beginning and ending numbers of the stock that is provided, and with both staff members initialing the log.

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. In our sample of disbursements, we found instances in which controls over purchases were weakened due to a lack of disbursement documentation. We recommend that MCPS Form 280-54 be prepared with all information completed, including IAF account numbers and balances, and original invoice or receipt copies be attached to all disbursements that fully explain the reason for the purchase.

Notice of Findings and Recommendations

- Transfers between accounts must be fully documented and adhere to MCPS guidelines for allowable uses of funds (**repeat**).
- Improvement of internal control for checks and receipt stock.
- Purchase documentation must be adequate to support disbursements.

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 learning, achievement, and administration, Office of Teaching, Learning, and Schools, 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.

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mrs. Ferrell

Dr. Wilson

Mrs. Williams

Mrs. Morris

Mrs. Chen

Mr. Klausing

Mr. Marella

Mr. McGee

Mr. Reilly

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:

Fiscal Year:

School:

Principal:

OTLS

Associate Superintendent:

OTLS

Director:

Strategic Improvement Focus:

As noted in the financial audit for the period _____, strategic improvements are required in the following business processes :

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 TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL	
<input type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director: <u>Sean P. McGee</u>	Date: _____