


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

January 30, 2023

MEMORANDUM

To: Mrs. Barbara M. Escobar, Principal  
Neelsville Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
April 1, 2021, through October 31, 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 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 January 6, 2023, meeting with you and Mr. Quinton B. McHenry, school financial specialist, we reviewed the prior audit report dated May 18, 2021, and the status of the 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. It should be noted that your appointment as principal was effective July 1, 2022, and Mr. McHenry's assignment as school financial specialist was effective July 1, 2021.

**Findings and Recommendations**

Monthly reports, including the bank reconciliation, are to be presented to the principal no later than the 20<sup>th</sup> of the month following the close of each month. The principal shall review these reports, sign and date them to indicate this review, and return them to the financial specialist to be filed with other monthly reports (refer to the *MCPS Financial Manual*, chapter 20, page 9). We

found that bank reconciliations were not always completed timely and other monthly reports were not consistently signed and dated, or were signed late. We recommend that your reconciler complete the bank reconciliation before the 20<sup>th</sup> of the following month and that the monthly reports be printed and signed by both the principal and school financial specialist after the bank reconciliation has been completed.

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 school financial specialist will then mark the documentation as “paid” prior to disbursing the funds. In our sample of disbursements, we found instances in which controls over purchases were weakened including purchases not being pre-approved, incidents where the sponsor did not sign and or date MCPS Form 280-54, and documentation supporting purchases were not always signed by the receiver to indicate goods or services were received, and that payment could be processed. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditure and signed by the principal at the time verbal approval is sought. 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.

During our review of receipts, we noted that funds collected from students and remitted to the school financial specialist were not always accompanied by a remittance slip. MCPS Form 280-34, *Independent Activity Fund (AIF) Remittance Slip*, is required for collection of funds because it identifies the source and purpose of the remittance and helps ensure that funds collected have been properly authorized. We recommend staff be required to prepare and remit this form with each remittance. In addition, cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the school financial specialist. 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 *MCPS Financial Manual*, chapter 7, pages 4-5). We noted that funds were held at times and some were taken to the bank prior to being entered into School Funds Online (SFO). To minimize the risk of loss and to provide assurance that available funds will be fully utilized to meet school needs, all funds collected must be remitted to the financial specialist daily and promptly deposited (refer to *MCPS Financial Manual*, chapter 7, page 4). In addition, all remittances on hand must be recorded in SFO prior to being deposited.

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

- Bank reconciliations are to be completed no later than the 20<sup>th</sup> of the following month and the Year to Date report is to be signed/dated by the principal and school financial specialist.

- Purchase requests must be approved by the principal prior to procurement, and signed/dated by requestor.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Cash and checks (funds) collected by sponsors must be promptly remitted, along with MCPS Form 280-34, to the school financial specialist.
- Cash and checks (funds) remitted by sponsors must be promptly verified and receipted in SFO, prior to being deposited in the bank by the school financial specialist.

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 financial specialist to support you with developing a well-defined plan to address the findings.

MJB:ABB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. Hull

Dr. Murphy

Ms. Reuben

Mr. Stockton

Mrs. Williams

Ms. Morris

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Mr. Turk

Ms. Webb

**FINANCIAL MANAGEMENT ACTION PLAN**

**Report Date:**

**Fiscal Year:**

**School:**

**Principal:**

**OSSWB  
Associate Superintendent:**

**OSSWB  
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 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: <u>    <i>Christophe Turk</i>    </u>	Date: _____