


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 25, 2024

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
November 1, 2022, through April 30, 2024

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 11, 2024, meeting with you and Mrs. Cheryl Montgomery, school financial specialist, we reviewed the prior audit report dated January 30, 2023, and the status of the present conditions. It should be noted that Mrs. Montgomery's assignment as school financial specialist was effective July 1, 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

Monthly reports, including the bank reconciliation, are to be presented to the principal no later than the 20th 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. In your audit action plan, you indicated that you and the financial specialist would meet every other week to review financial statements and documents. In our sample of reports, we found that bank reconciliations were not consistently completed timely. In

addition, other monthly reports were not consistently signed and dated, or were signed late. We recommend that a staff member be designated to perform the bank reconciliation each month as soon as all entries through the last day of the month have been recorded by the financial specialist, and presented to the principal for review, signature and date no later than the 20th of the following month (refer to the *MCPS Financial Manual*, chapter 20, page 9).

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 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 financial specialist will then mark the documentation as “paid” prior to disbursing the funds. In your audit action plan, you indicated that during preservice training, financial procedures would be presented to the staff regarding the requirements of receiving principal preapproval for purchases and the timely submission of purchase requests. In our sample of disbursements, prior approval was not consistently obtained, and MCPS Form 280-54 was not always signed and dated by the principal. We also noted instances in which controls over purchases were weakened including documentation supporting purchases were not stamped or marked “paid”, and invoices and online purchase confirmations 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/dated by the principal at the time verbal approval is sought. We also recommend that all support documents be marked paid, and 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.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card Users 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 some cardholders had not promptly prepared their monthly statements, provided description of items purchased, indicated IAF account number when required, attached their purchase receipts, or reviewed their transactions in the online reconciliation program. We also noted that not all transactions had been approved by the principal in the online reconciliation system. 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 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 the *MCPS Financial Manual*, chapter 7, pages 4-5). We found sponsors held field trip fees, yearbook

sales and other funds rather than remitting them to the financial specialist on a daily basis. We also noted a large amount of money was held over the weekend instead of being deposited in the bank. To minimize the risk of loss and 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 entered into the accounting software. In addition, all remittances on hand must be deposited promptly, and always before each weekend, end of the month, or holiday.

Notice of Findings and Recommendations

- Bank reconciliations and monthly reports are to be completed, signed and reviewed no later than the 20th of the following month (**repeat**).
- Purchase requests must be approved by the principal prior to procurement, and MCPS Form 280-54 signed/dated by principal (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement and documents must be stamped as paid (**repeat**).
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*.
- Cash and checks (Funds) collected by sponsors must be promptly remitted, receipted and deposited in the bank by the school financial specialist in accordance with Chapter 7 of the *MCPS Financial Manual*.

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. Natasha Bolden, executive director of school support and well-being, Office of School Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Ms. Bolden 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:AMB:rg

Attachment

Copy to:

Members of the Board of Education
Dr. Felder
Mrs. Alfonso Windsor
Ms. Dempsey
Dr. Johnson
Dr. Moran

Mrs. Barbara M. Escobar

June 25, 2024

Mrs. Williams
Mr. Adams
Mr. Reilly
Ms. Bolden
Mrs. Chen
Mr. Klausling
Mrs. Ripoli
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:	Fiscal Year:
School or Office Name:	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: _____ <i>W. Adams</i> _____	Date: _____