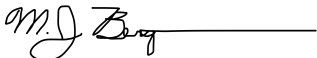


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 22, 2021

MEMORANDUM

To: Ms. Annette M. Ffolkes, Principal
Roscoe Nix Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2018, through September 30, 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 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 November 11, 2021, meeting with you; Mrs. Linda L. Taylor, school administrative secretary (secretary); and Mrs. Dorothy McGeever, visiting bookkeeper; we reviewed our prior audit report dated January 2, 2019, 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

MCPS Form 280-54, *Independent Activity Funds Request For A Purchase*, is used to obtain the principal's approval to proceed with an intended purchase. After the acquisition, the purchaser must submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the secretary. Upon disbursement, the documentation is to be stamped or marked "paid" to preclude duplicate payment (refer to the *MCPS Financial Manual*,

chapter 20, page 4). In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal, and receipts were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received. 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. We also recommend that when goods are received at the school 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.

The use of personal credit cards for large purchases is discouraged because purchases made with them are not exempt from sales tax and may accrue unearned benefits to the cardholder. An individual using a personal credit card will not be reimbursed for the sales tax portion of a purchase. The cardholder should not profit from making a school purchase. Therefore, the monetary value of any rewards such as frequent flyer miles, rebates, etc., received by the cardholder rightfully belong to the school that paid the expense and should be turned over for deposit into the school’s IAF account. We found that the secretary was using her personal credit card to make numerous school purchases instead of using the school’s JP Morgan credit card. We also noted that her Amazon account had reward points available and some of these had been earned for school purchases. The school secretary must cease using her personal Amazon account and credit card for school purchases. We recommend that the school set up their own Amazon account and start to use the school’s JP Morgan credit card for all school purchases.

In the review of disbursements, we found that expenditures for staff appreciation and meeting refreshments were recorded in the MCPS Reimbursement (0060.0000) account. Staff appreciation and meeting refreshments are not allowable uses of instructional material funds. These expenditures must be appropriately recorded in accordance with the IAF chart of accounts, using accounts 0020 and 0021. This enables the school to track the aggregate expenditures and not exceed the \$60 per individual staff member allocation. The school has paid MCPS back for all reimbursements of staff appreciation and meeting refreshment expenditures.

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchases on personal credit cards is discouraged.
- Schools cannot request reimbursement for staff appreciation and refreshments.
- Staff appreciation and meeting refreshment expenditures must be correctly classified and recorded.

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 Dr. Mary Jane Q. Ennis, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Dr. Ennis 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:RCM:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. D'Andrea

Ms. Dawson

Ms. Reuben

Mrs. Williams

Mrs. Morris

Mr. Reilly

Mrs. Chen

Mrs. Eader

Dr. Ennis

Mr. Klausling

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: November 22, 2021	Fiscal Year: November 22, 2021
School: Roscoe R. Nix ES - 307 <input type="checkbox"/>	Principal: Annette Ffolkes
OTLS	OTLS
Associate Superintendent: Diane Morris	Director: Jane Ennis
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>12/1/2018-9/30/21</u>, strategic improvements are required in the following business processes : Purchase requests; purchases involving the use of personal credit cards; reimbursement for staff appreciation items.</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Provide notification to staff regarding the procedures for approval of purchases. Provide staff with copies of MCPS Form 280-54 - Independent Activity Funds Request for a Purchase	Ffolkes Taylor	MCPS Form 280-54	Copies of completed MCPS Form 280-54 signed by principal	As needed based on requests for purchases	Completed Form 280-54, with documentation of purchase, and receipt of purchase signed by receiver
Purchaser must confirm receipt of goods or services prior to disbursement.	Ffolkes Taylor	Receipts for goods received	File with dated receipts	As needed based on delivery of goods or services	Completed Form 280-54, with documentation of purchase, and receipt of purchase signed by receiver
Establish a school Amazon account for purchases. Activate the JP Morgan card to be used for online purchases.	Ffolkes Taylor	School Amazon account info/JP Morgan card	Documentation of school account Documentation of JP Morgan credit card purchases	As needed based on ordering needs	Credit card receipts for online purchases
Review the Program Supplies Account guidelines and ensure that purchases are in alignment with those guidelines.	Ffolkes Taylor	Supplies Account guidelines	Order forms for purchases based on guidelines and allocation	As needed based on ordering needs	Purchase orders for materials and supplies

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

Approved Please revise and resubmit plan by _____

Comments:

Director: Jane Q. Ennis Date: 12/1/21