


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

September 13, 2021

MEMORANDUM

To: Dr. Jonathan L. Garrick, Principal
Northwood High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2020, through July 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 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 September 2, 2021, virtual meeting with you; Ms. Thuy Trang (Suzy) T. Duong, school business administrator, and Mrs. Timasha B. Adams, school financial specialist, we reviewed the prior audit report dated February 20, 2020, and the status of present conditions. It should be noted that your appointment as principal was effective September 4, 2020. 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 principal approval to proceed with an intended purchase (refer to the *MCPS Financial Manual*, chapter 20, page 4). There is also a requirement for adequate documentation to support the procurement of the goods and services, such as an original invoice or itemized receipt. Invoices

for goods or services must indicate all items are satisfactorily “received”, and should be marked as “paid” (refer to the *MCPS Financial Manual*, chapter 20, page 6). In our sample of disbursements, prior approval was not consistently obtained and supporting documentation was not always marked to indicate satisfactory receipt of the goods or services. We recommend that MCPS Form 280-54, be prepared by staff and signed by the principal as pre-approval for IAF purchases, and invoices be marked received to indicate that items or services were received satisfactorily.

In order to properly control receipts, cash and checks collected by sponsors for the IAF activities must be remitted promptly to the financial agent together with 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 MCPS Form 280-34 must be issued promptly (refer to the *MCPS Financial Manual*, chapter 7, page 4). All funds collected by the financial specialist must be taken to the bank for prompt deposit to the school business account. We found that the financial specialist was holding funds collected from sponsors and not making a timely deposit to the school bank account. Even though we recognize that the majority of your audit period was during the time that staff and students were mainly working remotely, to improve controls we recommend the adoption of the procedures stated above to safeguard school funds.

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**).
- Cash and checks (funds) remitted by sponsors must be promptly 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 Mrs. Jennifer L. Webster, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Mrs. Webster 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 financial agents to support you with developing a well-defined plan to address the findings.

MJB:BK: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

Mr. Klausling

Mr. Tallur

Mrs. Webster

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:

Fiscal Year:

School:

Principal:

**OSSI
Associate Superintendent:**

**OSSI
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 |
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| OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL | |
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| <input type="checkbox"/> Approved | <input type="checkbox"/> Please revise and resubmit plan by _____ |
| Comments: _____ _____ | |
| Director: _____ <i>Jennifer L. Webster</i> _____ | Date: _____ |