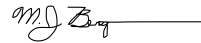


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

April 12, 2021

MEMORANDUM

To: Mrs. Carla Glawe, Principal
Olney 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 February 28, 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 April 6, 2021, virtual meeting with you, and Mrs. Brittany L. Tull, school administrative secretary (secretary), we reviewed the prior audit report dated June 27, 2018, which had no reportable findings, 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 principal approval to proceed with an intended purchase (refer to the *MCPS Financial Manual*, chapter 20, page 4). Regardless of the documentation that approved the procurement of goods and services, all disbursements from a school's IAF, other than for petty cash items, must be approved by the principal using MCPS Form 280-54, prior to disbursement of funds. MCPS

iPayment disbursements made by Automated Clearing House (ACH) with multiple IAF accounts to be charged should include a summary spreadsheet detailing the IAF account(s) to be charged with the principal's approved Form 280-54 for the total disbursement. In our sample of disbursements, we found that the IAF disbursements for MCPS iPayment invoices had not been reviewed and authorized for payment by the principal. We recommend that MCPS Form 280-54 be prepared and signed by the principal prior to disbursement of funds when paying MCPS iPayments.

Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. Upon disbursement, the secretary will stamp or mark the supporting documentation as "paid". In our sample of disbursements, invoices and online purchase confirmations were not signed by the receiver to indicate goods or services were received and supporting documentation was not always stamped "paid". Purchasers must sign invoices to indicate satisfactory receipt of goods or services prior to payments being processed. All receipts and invoices must be stamped "paid" upon issuance of the check. 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. We also recommend that documentation be stamped or marked "paid" upon issuance of the check (refer to the *MCPS Financial Manual*, chapter 20, page 6).

Notice of Findings and Recommendations

- Check disbursements must be documented using MCPS Form 280-54.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made.

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. Eric Wilson, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Mr. Wilson 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.

MJB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Ms. Stratman

Dr. Wilson

Mrs. Williams

Mr. Koutsos

Mrs. Chen

Mr. Klausling

Mr. Marella

Mr. Reilly

Mr. Tallur

Mr. Wilson

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY 21	Fiscal Year: FY 21
School: Olney ES - 502	Principal: Glawe
OTLS Associate Superintendent: Koustos	OTLS Director: Wilson
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>2018-2021</u>, 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
Staff who purchased items and are seeking reimbursement will have the items shipped to the school where administration and admin secretary will inventory the items prior to disbursement.	Admin and Admin Sec	Share process with staff	Share process with staff 4/2021 Weekly Bulletins Pre-Service	Glawe when the form us submitted	
Admin Secretary will stamp "paid "upon receipt of the goods on the receipt and the completed/signed form 280-54	Admin Sec or Admin	Paid stamp	Each time a purchase is delivered and reimbursement is being sought	Glawe review receipts with admin sec	
Check Disbursements will be documented by using form 280-54	All staff	Forms, process	Approval prior for all purchases	Glawe when form is submitted	
Principal and admin sec will attend financial training	Admin	Training			

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 checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____	
Director: <u>Eric Wilson</u>	Date: <u>5/3/2021</u>