


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

April 27, 2023

MEMORANDUM

To: Mrs. Jamila W. Denney, Principal
Pine Crest Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
February 1, 2020, through February 28, 2023

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 13, 2023, meeting with you and Mrs. Donna L. Deane, school administrative secretary (secretary), we reviewed the prior audit report dated July 16, 2020, 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. 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 secretary will then mark the

documentation as “paid” prior to disbursing the funds. In our sample of disbursements, we found instances in which purchases were not preapproved, 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 by the principal at the time verbal approval is sought. We also 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 sign/dated by the recipient. Requiring invoices to be marked “received” ensures that goods or services have been satisfactorily received prior to payment.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities must be remitted promptly and intact to the secretary along with a remittance slip. Cash must be counted in the presence of the remitter, and a receipt that is supported by the remittance slip must be issued promptly. 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). In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and give the sealed envelope to an administrator to secure in the business office safe. Verification of these funds must be conducted in the presence of the remitter or another staff member by the next business day. We found that some sponsors were holding funds collected rather than remitting them to the secretary on a daily basis. We also noted that on a few occasions, the secretary withheld cash remitted for field trips in order to refund a student who could not attend a field trip and to pay tips to field trip bus drivers. It should be noted that both payments were not recorded in the accounting records. 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 daily to the secretary. These receipts must be deposited promptly, intact, and all receipts must be deposited on the last working day of each month and before each weekend or holiday.

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Funds collected by sponsors must be promptly remitted to the secretary.
- Funds remitted to the school must be receipted to the school’s records and deposited intact.

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. Sean McGee, 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. McGee 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:AMB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. Hull

Dr. Murphy

Ms. Reuben

Mr. Stockton

Mrs. Williams

Dr. Moran

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mr. McGee

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: April 27, 2023

Fiscal Year: April 27, 2023

School: Pine Crest ES - 761

Principal: Jamila Denney

OSSWB

Associate Superintendent: Peter Moran

OSSWB


Director: Sean McGee

Strategic Improvement Focus:

As noted in the financial audit for the period 2/1/20-2/28/23, strategic improvements are required in the following business processes :
See below in each action step (there are four in total)

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<p>Finding: Purchase requests must be approved by the principal prior to procurement.</p> <p>Action: We will continue the established protocol of prior approval by purchaser from the principal in writing (via email and subsequently by filling out Form 280-54).</p>	Denney/Deane	N/A	N/A - this will just be an established protocol.	Ongoing	Prior approval will be evident.
<p>Finding: Purchaser must confirm receipt of goods or services prior to disbursement.</p> <p>Action: We will implement a structure that the person who makes the order will confirm receipt. Previously admin secretary inventoried, as to not disrupt instruction.</p>	Purchaser	N/A	N/A - this will just be an established protocol.	Ongoing	Inventory by purchaser will be evident.
<p>Finding: Funds collected by sponsors must be promptly remitted to the secretary</p> <p>Action: We will reiterate to staff that they must promptly submit monies in a timely manner daily. We will build a structure of quarterly reminders.</p>	Denney/Deane/ PCES Staff	Email to staff at report card time.	Email staff reminder at report card time.	Quarterly	Staff will remit funds promptly.
<p>Finding: Funds remitted to the school must be receipted to the school's records and deposited intact.</p> <p>Action: Administrative secretary will ensure that funds are remitted to the school and will be receipted to the school's records and deposited intact.</p>	Deane	N/A	N/A	N/A	Funds remitted to the school will be receipted to the school's records and deposited intact.

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 checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: I have reviewed and approved the plan with the staff at Pine Crest Elementary School.	
Director: _____ 	Date: <u>5/2/2023</u>