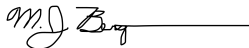


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 2, 2021

MEMORANDUM

To: Mrs. Christine D. Oberdorf, Principal
Piney Branch Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2018, through August 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 October 13, 2021, virtual meeting with you; Mr. Richard Weerts, assistant principal; Mrs. Victoria M. Welch, school administrative secretary (secretary); and Ms. Monika Roberts, visiting bookkeeper; we reviewed the prior audit report dated December 3, 2018, 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

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, bank reconciliation report, and ledger reports in a timely manner. A review of these important reports must be evidenced by the principal's signature and date. We could find no

indication that these important reviews were completed consistently during our audit period. We recommend you initiate a process that ensures this important internal control process occurs monthly (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 in order to properly record expenditures in appropriate accounts and to ensure that expenditures comply with IAF requirements. In our sample of disbursements, we found prior approval was not consistently obtained, documentation was not annotated by recipients to indicate purchased goods or services were satisfactorily received, and the documentation was not being marked “paid” by the secretary upon payment. By requiring prior approval, the principal retains control over the expenditure of IAFs. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditures and signed by the principal at the time verbal approval is sought. We also recommend that invoices for goods or services be signed by the purchaser to indicate satisfactory receipt and the secretary marks the documentation as “paid” to preclude duplicate payment (refer to the *MCPS Financial Manual*, chapter 20, page 6).

In order to properly control receipts, cash and checks collected by sponsors for IAF activities must be remitted promptly to the secretary 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 the MCPS Form 280-34 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, pp. 4-5). We found that some sponsors were holding funds collected rather than remitting them to the secretary on a daily basis. We recommend that staff be encouraged to submit cash and checks collected for IAF activities to the secretary for prompt deposit in accordance with MCPS policy and procedures.

Notice of Findings and Recommendations

- Monthly financial reports must be signed and dated by the principal to indicate review.
- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchase invoices and receipts must be annotated as received by the purchaser and stamped as “paid” by the secretary upon disbursement (**repeat**).
- Cash and checks (funds) collected by sponsors must be promptly remitted to the secretary (**repeat**).

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 P. McGee, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, 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: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

Mr. Klausing

Mr. McGee

Mrs. Ripoli


Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

| | |
|--|--------------------------------------|
| Report Date: November 2, 2021 | Fiscal Year: November 2, 2021 |
| School: Piney Branch ES - 749 | Principal: Christine Oberdorf |
| OTLS Associate Superintendent: Diane Morris | OTLS Director: Sean McGee |
| <p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>11/1/18 - 8/31/21</u>, strategic improvements are required in the following business processes : Monthly Financial Reports, Purchase Requests, and Timely Funds Remittance</p> | |

| Action Steps | Person(s) Responsible | Resources Needed | Monitoring Tools / Data Points | Monitoring: Who & When | Results/Evidence |
|---|---|--|---|--|---|
| Monthly financial reports must be signed and dated by the principal to indicate review. | Financial Agent, Visiting Bookkeeper, Principal | Bank Statements, Reconciliation Report, Ledger Reports | End of Month Checklist Tip Sheets | Financial Agent: Monthly reports generated and submitted for Principal signature | Monthly financial reports reviewed and signed by 20th or each month |
| Purchase requests must be approved by the principal prior to procurement. Purchase invoices and receipts must be annotated as received by the purchaser and stamped as PAID by the financial agent upon disbursement. | Purchaser, Financial Agent, Principal | IAF Request for Purchase Form 280-54 | Purchaser provides amount and purpose, Agent certifies available funds, Principal approves, Purchaser signs invoice to confirm receipt, Agent marks as PAID | Financial Agent: confirm all parts of form completed | Completed and signed form with all documentation with signatures and marked PAID |
| Funds collected by sponsors must be promptly remitted to the secretary. | Sponsors, Financial Agent | Collected funds, IAF Remittance Slip | Reminders to all sponsors funds must be remitted to financial agent daily. | Financial Agent: Collect funds, confirm amounts, deposit according to MCPS policy. | All funds deposited promptly at end of month and before each weekend and holiday. |
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| Action Steps | Person(s) Responsible | Resources Needed | Monitoring Tools / Data Points | Monitoring: Who & When | Results/Evidence |
|--------------|-----------------------|------------------|--------------------------------|------------------------|------------------|
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| OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL | |
|---|---|
| <input checked="" type="checkbox"/> Approved | <input type="checkbox"/> Please revise and resubmit plan by _____ |
| Comments: I have reviewed and approved the plan created by Piney Branch Elementary School. | |
| Director: _____  | Date: 11/30/2021 |