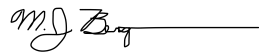


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

July 13, 2021

MEMORANDUM

To: Ms. Nadia J. Kline-Taylor, Acting Principal
John L. Gildner Regional Institute for Children and Adolescents (RICA)

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

Subject: Report on Audit of Independent Activity Funds for the Period
June 1, 2018, through May 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 July 6, 2021, meeting with you, Ms. Cindy B. Rampp, school administrative secretary (secretary); and Ms. Ann M. Myers, visiting bookkeeper, we reviewed the prior audit report dated September 5, 2018, and the status of present conditions. It should be noted that your assignment as acting principal was effective July 1, 2021. 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

Documents supporting the IAF reports are part of the financial records and must be maintained in the school office and filed logically to be readily available for audit or other purposes. IAF records shall be retained for five years after the close of the year to which they apply and until all audit requirements have been met, whichever is longer, and then destroyed (refer to the *MCPS Financial*

Manual, chapter 20, page 16). Our review disclosed that many financial records, such as bank statements, bank reconciliations, year-to-date reports, disbursements, and receipts, were misfiled and not available for review. We recommend that IAF records be properly filed and retained to be available for audit.

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, bank reconciliation report, and ledger reports promptly. Review of these important reports must be evidenced by the principal's signature and date (refer to the *MCPS Financial Manual*, chapter 20, page 6). Although these reports were prepared monthly by the school's visiting bookkeeper, some reports could not be located. In other cases, the former principal did not signify if the reports had been reviewed by signing and dating each one. We recommend that you initiate a process that ensures adequate maintenance and retention of monthly reconciliation reports in the IAF financial records.

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. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. The secretary should mark the documentation as "paid." In our sample of disbursements, we found instances in which controls over purchases were weakened. That included documentation missing, MCPS Form 280-54 not signed by the former principal in advance of the purchase, documentation supporting purchases not stamped or marked "paid," and documentation not annotated by the recipient to indicate purchased goods or services were satisfactorily received. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF's. The financial management action plan, in response to the previous audit, stated that purchase preapproval requirements would be reviewed with staff members. We recommend that MCPS Form 280-54 be prepared by staff with an estimate and signed by the principal at the time verbal approval is sought and that complete documentation be attached to fully explain the reason for the purchase.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card User's Guide*. By the fifth business day of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements must be printed and provided to the principal with all purchase receipts and invoices attached. The principal must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. We found that some cardholders had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the former principal had not approved all transactions online. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

To properly control funds, all cash and checks collected by sponsors for IAF activities must be remitted promptly to the secretary. These funds must then be verified in the presence of the remitter and a receipt that is supported by MCPS Form 280-34, *Independent Activity Fund (IAF)*

Remittance Slip, must be issued promptly (refer to the *MCPS Financial Manual*, chapter 7, page 4). We noted instances in which funds were held by sponsors rather than being remitted on a daily basis to the secretary and they were not always promptly deposited into the school's bank account. To minimize the risk of loss and provide availability of funds to meet school needs, all funds collected must be remitted daily to the secretary for prompt deposit.

Notice of Findings and Recommendations

- IAF must be managed in accordance with sound accounting practices and effective internal controls that include safeguarding financial records until required audits are completed.
- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made (**repeat**).
- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide*.
- Cash and checks (funds) collected by sponsors must be promptly remitted with MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, to the secretary.
- Funds remitted by sponsors must be promptly verified and receipted, prior to being deposited in the bank by the secretary.

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 Ms. Nicole A. Sosik, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Ms. Sosik 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:AMB:lsh

Attachment

Copy to:

Members of the Board of Education
Dr. McKnight
Mr. D'Andrea
Ms. Dawson
Ms. Reuben

Mrs. Williams
Mr. Koutsos
Mr. Reilly
Mrs. Chen
Mr. Klausling
Ms. Sosik
Mr. Tallur
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

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|--|---|
| Report Date: 8/2/21 | Fiscal Year: 2022 |
| School: -- Choose One -- RICA | Principal: currently Acting Principal Jada Longsten |
| OTLS Associate Superintendent: James Koutsos | OTLS Director: Nicole Sosik |

Strategic Improvement Focus: As noted in the financial audit for the period 2018-2021, 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 |
|--|----------------------------|--|--|------------------------|--|
| FINDING: Absence of controls over IAF operations & poor maintenance of financial records - Purchased new fancy folders for monthly IAF documents & plan to spend more time devoted to finance. | Cindy Rampff Admin sec. | Uninterrupted time & space. I will take 1 hour in a closed | Monthly visits w/ new bookkeeper. | VB monthly | Timely bank deposits Monthly printing, signing & filing of financial reports. |
| FINDING: Financial reports | Cindy Rampff Jada Longsten | office twice a week to conduct financial responsibilities | Completed monthly files | VB & principal | Principal will review monthly reports and sign and date |
| FINDING: Disbursements - missing prior written approval by principal. | Cindy Rampff Jada Longsten | office twice a week to conduct financial responsibilities | checks (reimbursements) most have prior 280-54 mark all invoices | VB & principal | sign & date all invoices. NO reimbursements w/o 280-54. |
| FINDING: Purchasing Cards transactions not reviewed principal did not approval all transactions | Cindy Jada Longsten | | & Landscape statements reviewed & signed monthly by principal | Principal | All transactions reconciled, landscape statements printed, w/invoices attached. |

| Action Steps | Person(s) Responsible | Resources Needed | Monitoring Tools / Data Points | Monitoring: Who & When | Results/Evidence |
|--|-----------------------|------------------|----------------------------------|------------------------|---|
| FINDINGS: Cash receipts were entered after deposit made. | Cindy Rampp | time | some day for deposits & receipts | VB monthly | All deposits make SFO receipts. Receipt ALL funds prior to deposit. |
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OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL

Approved Please revise and resubmit plan by _____

Comments:

Director: Nicole Sosik Date: 8/31/21