


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

April 27, 2022

MEMORANDUM

To: Ms. Kristine A. Alexander, Principal  
Rock View Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the  
Period January 1, 2019, through February 28, 2022

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, 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 22, 2022, meeting with you; Ms. Nancy L. Morin, school administrative secretary (secretary); and Ms. Debra Taylor-Miller, school visiting bookkeeper, we reviewed the prior audit report dated April 18, 2019, and the status of the present conditions. It should be noted that Ms. Morin's assignment as secretary was effective on November 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**

Any misprinted checks and receipts must be entered into the accounting system and voided in accordance with the procedures outlined in the School Funds Online (SFO) User's Guide. All parts of any voided receipt and check forms must be defaced and retained. We found instances where not all voided items were properly defaced and some voided items were not found in the

files. We recommend compliance with SFO procedures for voiding receipts and checks. Voided checks and receipts are recommended to be filed in one folder for each fiscal year.

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. Upon issuance of a check, the secretary will mark the documentation as “paid” to preclude duplicate payment. Disbursements made by ACH drawn on the school’s IAF bank account, regardless of the documentation that approved the procurement of goods and services, are required to be approved by the principal using MCPS Form 280-54. In your action plan, you indicated that at the time verbal approval was sought from the principal, MCPS Form 280-54 would be prepared and signed by both the requesting staff and the principal. You also indicated that once the purchase was received, the invoice would be signed and dated by the receiver and that the principal would ensure that the required documentation of the purchase was attached to the request. In our sample of disbursements, we found instances in which MCPS Form 280-54, was not consistently prepared and presented to the principal for a signature indicating authorization to proceed with the purchase, the principal did not always date MCPS Form 280-54, documentation supporting purchases were not always stamped or marked “paid,” and documentation was 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 IAFs. We recommend that MCPS Form 280-54 be prepared, with an estimate by staff and signed by you, at the time verbal approval is sought. MCPS Form 280-54 needs to be completed for all iPayment disbursements as well. Complete documentation must be attached to fully explain the reason for the purchase. All invoices must be marked to indicate items were received and documentation stamped “paid.”

Sponsors of field trips must have a complete class or club roster of student names to annotate the amount each student paid, date paid, eligible students who did not participate in the trip, and students who received waivers, scholarships, or reduced fees. This data, together with a list of all chaperones and volunteers, must be provided to the secretary at the completion of each trip and compared to remittances recorded in the field trip account history report (refer to the *MCPS Financial Manual*, chapter 20, page 10). We found that not all sponsors were providing completed data at the conclusion of each trip and that data was not being reconciled to the final account history report. All sponsors must be required to use MCPS Form 280-41, *Field Trip Accounting*, or equivalent. We recommend that trip sponsors be required to provide complete data at the conclusion of each trip, and this data be reconciled by the secretary with remittances recorded in activity accounts.

### **Notice of Findings and Recommendations**

- Checks and receipts that are voided must be defaced and retained.

- 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**).
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and the secretary must reconcile funds collected with the account history reports (**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 Dr. Peter O. Moran, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Dr. Moran will indicate whether he will conduct an electronic review of your action plan or schedule a time to meet in person with you and the secretary to support you with developing a well-defined plan to address the findings.

MJB:YSG:lsh

Attachment

Copy to:

Members of the Board of Education  
Dr. McKnight  
Mr. D'Andrea  
Ms. Dawson  
Ms. Reuben  
Mrs. Williams  
Dr. Dyson  
Mr. Reilly  
Mrs. Eader  
Mrs. Chen  
Mr. Klausling  
Dr. Moran  
Mrs. Ripoli  
Ms. Webb

**FINANCIAL MANAGEMENT ACTION PLAN**

<b>Report Date:</b>	<b>Fiscal Year:</b>
<b>School:</b>	<b>Principal:</b>
<b>OTLS Associate Superintendent:</b>	<b>OTLS Director:</b>
<p><b><u>Strategic Improvement Focus:</u></b>          As noted in the financial audit for the period _____, strategic improvements are required in the following business processes :</p>	

<b>Action Steps</b>	<b>Person(s) Responsible</b>	<b>Resources Needed</b>	<b>Monitoring Tools / Data Points</b>	<b>Monitoring: Who &amp; When</b>	<b>Results/Evidence</b>

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"/> <b>Approved</b>	<input type="checkbox"/> <b>Please revise and resubmit plan by</b> _____
Comments: _____ _____	
Director: <u>          <i>Peter O. Moran</i>          </u> <small>ovz</small>	Date: <u>06/01/22</u>