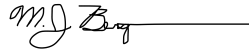


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 8, 2021

MEMORANDUM

To: Ms. Rhoshanda M. Pyles, Principal
Rockville High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2020, through October 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, 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 December 3, 2021, meeting with you; Mr. David Stough, school business administrator; and Mrs. Paula M. Arata, school financial specialist, we reviewed the prior audit report dated December 08, 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. It should be noted that your appointment as principal was effective July 1, 2021.

Findings and Recommendations

The monthly bank statement reconciliation must be performed by an employee who is independent of recording the financial transactions; however, the employee performing the independent bank reconciliation cannot be a check signer. We found that your school business administrator was a second check signer for several months during the audit period, and also performed the bank reconciliations from November 2020 through October 2021. Even though it appears this practice has now stopped, your school business administrator must either complete the monthly bank

reconciliations or sign checks, but he cannot perform both roles (refer to the *MCPS Financial Manual*, chapter 20, page 6).

Sponsors of school activities that involve the collection or disbursement of IAF must be provided an account history report for each month in which transactions have been recorded in their account or the account has a balance. We found this essential internal control procedure was not always being used. We recommend sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the statements must be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all statements are reviewed and returned (refer to the *MCPS Financial Manual*, chapter 20, page 10).

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. 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, with a summary spreadsheet detailing the IAF account(s) to be charged, prior to the expenditure of funds (refer to *MCPS Financial Manual*, chapter 20, page 6). In our sample of disbursements, prior approval was not consistently obtained and IAF disbursements for MCPS iPayment invoices have not been reviewed and authorized on MCPS Form 280-54 by the principal. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that MCPS Form 280-54 be prepared by staff and signed by the principal at the time verbal approval is sought. We also recommend preparing MCPS Form 280-54 when recording iPayment expenditures. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining your approval at the beginning of the school year. These budgets should be monitored by your school financial specialist and revised if necessary.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund -Raiser*. We found that there was a lack of adherence to these guidelines. We found not all sponsors were preparing fund-raiser request forms to obtain your approval prior to the start of an activity. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. We recommend that each fund-raiser be approved by the principal in writing and the approval retained in the finance office (refer to *MCPS Financial Manual*, chapter 20, page 12).

Notice of Findings and Recommendations

- The independent bank reconciler cannot be a check signer on the account.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the school financial specialist.

- Purchase requests must be approved by the principal prior to procurement and MCPS Form 280-54 prepared for all disbursements.
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund-Raiser*.

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. Sarah E. Sirgo, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Dr. Sirgo 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 business administrator 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
Dr. Dawson
Ms. Reuben
Mrs. Williams
Dr. Dyson
Mr. Reilly
Mrs. Chen
Mrs. Eader
Mr. Klausling
Mrs. Ripoli
Dr. Sirgo
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:

Fiscal Year:

School:

Principal:

**OTLS
Associate Superintendent:**

**OTLS
Director:**

Strategic Improvement Focus:

As noted in the financial audit for the period _____, 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

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> <i>Sarah Juep</i> </u>	Date: _____