


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

July 2, 2021

MEMORANDUM

To: Dr. Cynthia Eldridge, Principal  
Rocky Hill Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
December 1, 2019, 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 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 June 22, 2021, virtual meeting with you, and Mrs. Shubha Prabhu, school financial specialist (financial specialist), we reviewed the prior audit report dated February 6, 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

Schools are encouraged to contact payees who have not cashed or deposited checks within 60 days and replace checks if lost or damaged to minimize the required escheat filing (refer to the *MCPS Financial Manual*, chapter 18, page 2). Checks that are not cashed by their payees within 180

days of issuance are considered abandoned property and, by law, belong to the State of Maryland. It is recommended that only if the payee provides a signed document or an email stating that the check was lost/destroyed and asks for a replacement check should the reissuance of a check be done. Payees can also request in writing that the check not be reissued and the funds be donated back to the school. We noted you voided several checks without documentation to show payee requested funds to be donated back to the school. In order to comply with the State of Maryland law and to eliminate additional work, if payee authorization is not received, we recommend checks be escheated annually using the process outlined on the Division of Controller (DOC) website (refer to the *MCPS Financial Manual*, chapter 20, page 12).

Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, 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. Purchasers must sign invoices to indicate satisfactory receipt of goods or services prior to payments being processed. We 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 signed/dated by the recipient. Requiring invoices to be marked "received" ensures that goods or services have been satisfactorily received prior to payment (refer to the *MCPS Financial Manual*, chapter 20, page 6).

Aggregate school expenditures of IAF activities for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per individual staff member, per fiscal year, without the prior written authorization from the Office of Finance (OOF) (refer to the *MCPS Financial Manual*, chapter 20, page 5). These expenditures must be appropriately recorded in accordance with the IAF chart of accounts. We found expenditures for these items were incorrectly classified and recorded in other accounts. Such commingling increases the time required to determine whether or not guidelines have been followed and decreases the value of your financial reports in monitoring for proper compliance. We found that you exceeded the total amount allowed in Fiscal Year (FY) 2020, without the approval of the OOF. We recommend that you adhere to the MCPS requirements, as well as correctly classify and record these transactions, for more accurate accountability.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser* and comply with MCPS Regulation, *School-Related Fund-Raising*, CND-RA. All fund-raisers require principal approval on the Request for Fund-raiser form and analysis of the activity on the Fund-raiser Completion Report. All fund-raising activities by schools or school-sponsored groups must have an MCPS staff sponsor. We found that there was a lack of adherence to these guidelines. We found funds were raised by a parent for a school field trip with no school staff member assigned as the sponsor. We found no documentation to show principal approval and no analysis at the completion of the activity. Following internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the activity (refer to the *MCPS Financial Manual*, Chapter 20, pp. 12 - 13).

MCPS Regulation DMB-RA, *Control of Admission Receipts*, sets forth procedures for the control of admission receipts for school events. The accounting for these events must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and perpetual inventory of tickets (refer to the *MCPS Financial Manual*, chapter 20, page 13). We noted that the school did not keep a perpetual ticket inventory, recording the life of the ticket rolls from the beginning to the end of each roll. We recommend that procedures for the sale of tickets be reviewed with appropriate staff prior to events for compliance with the above cited MCPS requirements and that a perpetual inventory is maintained.

Sales of physical education (PE) uniforms must comply with the requirements outlined in the *Handbook for the Operation of School Stores*. We noted some weaknesses over the accounting process for the sale of uniforms. We noted your ending inventory for Fiscal Year (FY) 2019 did not match what was reported as your beginning inventory for FY 20, and so the records of sums collected from students could not be reconciled to records of sales. To improve controls, we recommend tracking of uniform sales on a spreadsheet that can be reconciled to records of account activity. In addition, inventory records must be adjusted for sales, purchases, giveaways, and for garments that are damaged or obsolete. The inventory record must be compared to a physical count which should be performed at least annually. The inventory should be secured at all times to lessen the likelihood of a loss.

#### Notice of Findings and Recommendations

- Uncashed checks must be remitted to the state, in accordance with the MCPS escheat process.
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Staff appreciation and meeting refreshment expenditures must be correctly classified and recorded.
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund-Raiser*.
- Financial agents must maintain a perpetual inventory of tickets for admission events (**repeat**).
- Physical education uniform sale and inventory processes must comply with the requirements outlined in the *Handbook for the Operation of School Stores*.

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. James P. Koutsos, associate superintendent, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Mr. Koutsos 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 financial specialist to support you with developing a well-defined plan to address the findings.

MJB:ABP: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

Mr. Tallur

Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> 20-21	<b>Fiscal Year:</b> 20-21
<b>School:</b> Rocky Hill MS - 707	<b>Principal:</b> Dr. Cynthia Eldridge
<b>OTLS Associate Superintendent:</b> Mr. James Koutsos	<b>OTLS Director:</b> Mr. Christophe Turk
<p><b><u>Strategic Improvement Focus:</u></b>          As noted in the financial audit for the period <u>12/1/19 - 4/30/20</u>, strategic improvements are required in the following business processes :          receipt of goods; staff appreciation; fundraisers;tickets, uncashed checks and PE clothing sales.</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Ensure that purchase requester confirm receipt of goods	Purchase requester/Financial Specialist	N/A	Financial Specialist will remind staff members after the order is placed to follow up to receive and verify the purchase as "received"	Financial Specialist - Will document and then meet with any staff not in compliance (quarterly checks)	- Staff Checklist reminders  - Ongoing communication with the purchase requester
Staff Appreciation expenditures to be correctly classified and recorded	Financial Specialist	N/A	Financial Specialist will follow MCPS Financial Guidelines to distinguish and post every expenditure correctly into the IAF accounts	Principal (quarterly checks)	Refresher of the Financial manual by FS
Ensure Fundraisers for school are done in compliance with MCPS guidelines	Financial Specialist/FR Sponsors	N/A	Overview of list of guidelines will be shared with staff for sponsoring an IAF Fundraisers	Financial Specialist/Principal (start/middle/end of fundraiser)	-Staff reminders -Ongoing communication
Ensure to maintain perpetual inventory of tickets for admission events	Financial Specialist/Event Sponsor	N/A	-Individual meetings will be held with sponsors to ensure adherence to the guidelines -FS to maintain the ticket inventory for school going forward.	Financial Specialist/Event Sponsor (event planning and end)	School has already taken measures to correct this finding. New Ticket Inventory database is created and will be used from next school event.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Physical Education Uniform Sale and Inventory processes	PE Sponsor/PE Team Leader	N/A	- Overview of guidelines to be shared with PE sponsor. - FS to follow up with sponsor on MCPS procedures & update principal	Financial Specialist/Principal	- Currently In consideration for looking at outside vendor to handle sales for PE uniform sales
Uncashed checks must be remitted to the state	Financial Specialist	Work with auditor on the MCPS escheat	-Submit uncashed checks to state	Financial Specialist/Principal	In progress
Memo about fundraising guidelines: specifically that non-MCPS employees will be restricted at all times from the sponsoring of IAF Fund-Raising activity and events	Financial specialist/Principal	Financial specialist must take financial procedure class	Completion of class and meeting with sponsors  Meeting with sponsors to explicitly review guidelines	PDO registration  Memo	Both financial specialist and principal will take class in August (PDO)  Meeting with sponsors 8/21

OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> <b>Approved</b>	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____	
Director: <u>Christophe Turk</u>	Date: <u>8/4/21</u>