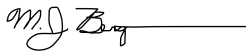


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 3, 2021

MEMORANDUM

To: Ms. Ilana S. Carr, Principal
Seven Locks 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 September 30, 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 November 23, 2021, meeting with you, and Mrs. Jane H. Burns, school administrative secretary (secretary), we reviewed the prior audit report dated December 3, 2018, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2021, and Ms. Burn's assignment as secretary was effective January 2, 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

MCPS Form 280-54, *Independent Activity Funds Request For A Purchase*, is used to obtain the principal's approval to proceed with an intended purchase. After the acquisition, the purchaser must submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the secretary. Upon disbursement, the documentation is to be stamped or marked "paid" to preclude duplicate payment (refer to the *MCPS Financial Manual*,

chapter 20, p. 6). In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal, and invoices were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received. By requiring prior approval, the principal retains control over the expenditure of IAF activities. 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 all invoices/packing slips 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.

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the secretary. 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 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.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Student Organization Trips*. 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 trip account history report. We found that not all sponsors are providing completed data at the conclusion of each trip and that data is not being compared to the final account history report. All sponsors are required to submit MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and follow the procedures outlined above. This data must be reconciled by the secretary with remittances recorded in activity accounts (refer to the *MCPS Financial Manual*, chapter 20, p. 10).

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Cash and checks (funds) collected by sponsors must be promptly remitted to the secretary and deposited in the bank by end of the month and before each weekend or holiday.
- Final field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and the secretary must reconcile funds.

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 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

Dr. Dawson

Ms. Reuben

Mrs. Williams

Dr. Dyson

Mr. Reilly

Mrs. Chen

Mrs. Eader

Mr. Klausling

Dr. Moran

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: December 3, 2021 (FY22)	Fiscal Year: December 3, 2021 (FY22)
School: Seven Locks ES - 603 ▼	Principal: Ilana S. Carr
OTLS Associate Superintendent: Dr. Cheryl L. Dyson	OTLS Director: Dr. Peter O. Moran
Strategic Improvement Focus: As noted in the financial audit for the period <u>11/1/18 - 9/30/21</u> , 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
Remind all staff that form 280-54 must be submitted and approved prior to ordering/purchasing items. The purchasing process will be documented in the Staff Handbook/One Stop Shop and addressed during pre-service.	Principal, Purchase Requester, and Admin Secretary	MCPS Form 280-54	Verify date of request to purchase/approval versus date of actual purchase or order.	Principal, Visiting Bookkeeper and Admin Secretary as forms are received and items purchased	Completed 280-54s will accompany all invoices and approval dates will precede purchase dates.
Purchaser will indicate satisfactory receipt of items purchased by signing and dating invoices and marking them received.	Purchaser, Admin Secretary	Invoices and receipts	Admin Sec will maintain files containing all orders invoices and receipts. Request for purchases reconcile with packing slips	Visiting Bookkeeper and Admin Secretary will monitor monthly.	All invoices will be on file, signed and satisfactory receipt acknowledged.
Remind Sponsors of the requirement to submit collected funds on a daily basis and have Admin Secretary receipt and deposit them at the bank on the same day. Money collection procedures will be documented in the Staff Handbook/One Stop Shop and addressed during pre-service.	Principal, Sponsors and Admin Secretary	MCPS Form 280-34 and Chapter 20 of the MCPS Financial Manual	Remittance and Deposit slips are aligned.	Principal and Visiting Bookkeeper monthly	Ledger will align with MCPS expectations.
Field Trip Accounting and money collection practices will align with MCPS Regulations. Sponsors will be reminded/made aware of correct procedures and provided with proper MCPS field trip accounting tools. All funds will be remitted and deposited in a timely manner.	Principal, Sponsors, and Admin Secretary	MCPS Form 280-41 and Chapter 20 of the MCPS Financial Manual	MCPS Form 280-41 and documented financial records	Principal, Visiting Bookkeeper & Admin Secretary pre and post field trip.	Field trip files will align with MCPS regulations and expectations.

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>Peter O. Moran</i> </u> <small>ovz</small>	Date: <u>01/05/22</u>