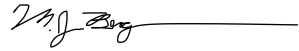


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

May 27, 2022

MEMORANDUM

To: Mrs. Zoraida E. Brown, Principal
Sargent Shriver Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2019, through March 31, 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, 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 May 23, 2022, meeting with you; Mr. Dennis Heidler, assistant principal; Ms. Flor D. Lopez, school administrative secretary (secretary); and Mrs. Monika C. Roberts, visiting bookkeeper, we reviewed the prior audit report dated June 4, 2019, and the status of the present conditions. This audit report presents the finding 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 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 will mark the documentation as “paid.” In your action plan, you indicated that all purchase requests will be approved by the principal prior to procurement and purchase invoices would be signed and dated to indicate the receipt of goods and services. In our sample of disbursements, we found instances in which controls over purchases were insufficient due to purchases not always being pre-approved, MCPS Form 280-54 was not always prepared and signed by the principal, and documentation not annotated by the recipient to indicate purchased goods or services were satisfactorily received. By requiring prior approval and complete documentation, you retain control over the expenditure of IAF funds. Regardless of the documentation that approved the procurement of goods and services, all disbursements from a school’s IAF, other than for petty cash items, must be approved by the principal using MCPS Form 280-54, prior to disbursement of funds. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditure and signed by the principal at the time verbal approval is sought. We also 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.

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, or the statement of account landscape report, 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 10th of the following month, using the online reconciliation program. We found that cardholders had not prepared their monthly statements, provided the description of items purchased, indicated IAF account number when required, attached their purchase receipts, or reviewed their transactions in the online reconciliation program to allow the principal to approve all transactions online. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

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, pages 4-5). In our sample of cash receipts, we found sponsors held fees collected rather than remitting them to the secretary on a daily basis. We also noted that the secretary was not always making timely deposits, on the last working day of each month and before each weekend or holiday. To minimize the risk of loss, all funds collected must be remitted daily and deposited promptly.

The *MCPS Financial Manual*, chapter 20, Appendix A, provides guidance on IAF account structure and utilization. The IAF chart of accounts is standardized for consistency in reporting. We found instances of nonconformity, and noted that sometimes transactions were not classified properly in appropriate accounts. For example, expenses were sometimes recorded directly in the revenue-only commission account rather than in the appropriate expense accounts. Such

commingling renders it difficult to evaluate the results of activities and may allow a loss to go undetected. We recommend that the school's accounts be brought into compliance with the latest chart of accounts, and that guidelines for uses of funds be reviewed.

Notice of Findings and Recommendations

- 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 card activity must comply with the *MCPS Purchasing Card User's Guide*.
- Funds collected by sponsors must be promptly remitted to the secretary.
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the secretary.
- Standardized IAF account structure must be followed.

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 Mrs. Jennifer L. Webster, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Mrs. Webster 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:HT:lsh

Attachment

Copy to:

Members of the Board of Education
Dr. McKnight
Mr. D'Andrea
Dr. Dawson
Ms. Reuben
Mrs. Williams
Mrs. Morris
Mr. Reilly
Mrs. Chen
Mrs. Eader
Mr. Klausung
Mrs. Ripoli

Mrs. Zoraida E. Brown

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May 27, 2022

Mrs. Webster
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 type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director: _____ <i>Jennifer L. Webster</i> _____	Date: <i>6/21/22</i>