


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

July 27, 2020

MEMORANDUM

To: Mr. Gary M. Rand, Principal
Sligo Creek Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2018, through January 31, 2020

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 11, 2020, virtual meeting with you; Ms. Vanessa L. Terry, school administrative secretary; and Mrs. Debra L. Taylor-Miller, visiting bookkeeper, we reviewed the prior audit report dated June 27, 2018, 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

The management of IAF must be in accordance with good business practices that include sound accounting and internal control procedures. We found that staff did not have adequate procedures in place for proper control and oversight of IAF. As a result, we noted many handwritten checks which resulted in check number errors when recording subsequent payment transactions and one incident where a blank check was signed and then processed at a store's electronic system at their

cash register. We recommend that you work with the school administrative secretary and visiting bookkeeper to establish processes to ensure that all check information are completed prior to checks being signed and check information should be entered into School Funds Online (SFO) and printed, not handwritten.

Monthly reports, including the bank reconciliation, are to be presented to the principal no later than the 20th of the month following the close of each month. Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, bank reconciliation report, and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date. We could find no indication that these important reviews were completed consistently during our audit period. The principal shall review these reports, sign and date them to indicate this review, and return them to the administrative secretary to be filed with other monthly reports (refer to the *MCPS Financial Manual*, chapter 20, page 9). We found that bank reconciliations were not consistently completed in a timely manner. In addition, other monthly reports were not consistently signed and dated, or were signed late. We recommend that monthly reports, including the bank reconciliation, are presented to the principal to be reviewed, signed and dated as soon as the visiting bookkeeper completes them. Best practice is to receive a hard copy of the bank statement sent from the bank and have the principal open, review, sign, and date. If online banking is used and no hard copy is received from the bank, the principal must independently access and review the bank statement. To verify this step, the bank statement must be signed and dated by the principal prior to going to the independent bank reconciler. Monthly reports must be reviewed, signed, and dated by the principal to indicate this review, and returned to the school administrative secretary to be filed with other monthly reports. We also recommend that the school administrative secretary establish a process to ensure that other monthly reports are reviewed and returned by the responsible school staff members.

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. In your action plan dated July 17, 2018, you stated that pre-approval would be obtained, all invoices would be annotated paid and would be marked as received. In our sample of disbursements, prior approval was not consistently obtained, receipts were not all stamped paid, and invoices were not marked received. By requiring prior approval, the principal retains control over the expenditure of IAF funds. The MCPS Form 280-54 must be prepared by staff with an estimate of expenditure, signed by the principal at the time verbal approval is sought, all documentation must be stamped or marked "paid", and staff must indicate if all items or services were received satisfactorily.

Controls over cash receipts need improvement. Staff collecting funds were holding funds rather than remitting them timely to the administrative secretary. Also, the school administrative secretary was not always making timely deposits and was holding money in excess of permitted amounts and deposits did not always match the amount remitted. In your action plan, you indicated that sponsors would remit funds on a daily basis to the school administrative secretary who would make a deposit in excess of permitted amounts. Infrequent deposits increase the possibility of a

loss of funds, diminish the schools ability to fund activities, and are contrary to the *MCPS Financial Manual*. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected must be remitted to the school administrative secretary daily (refer to the *MCPS Financial Manual*, chapter 7, pp. 4-5). In addition, care must be taken to ensure that the deposits match the amount remitted and all remittances on hand must be deposited before each weekend, end of month or holiday.

Sponsors of field trips should have a complete class or club roster of student names and annotate how much each student paid, date paid, 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, should be provided to the school administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report (refer to *MCPS Financial Manual*, chapter 20, page 10). In your action plan, you indicated that sponsors would complete MCPS Form 280-41, *Field Trip Accounting*, to document and maintain proper accounting of field trips. 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 must be required to use MCPS Form 280-41, or equivalent, and follow the procedures outlined above. This data must be reconciled by the school administrative secretary with remittances recorded in activity accounts and this reconciliation kept on file for audit.

Notice of Findings and Recommendations

- Avoid handwritten disbursement checks to improve internal control procedures.
- Adhere to SFO monthly closing procedures and timelines.
- 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 invoice/receipts must be annotated as “paid” to indicate disbursement was made (**repeat**).
- Funds collected by sponsors must be promptly remitted to the school administrative secretary (**repeat**).
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the school administrative secretary (**repeat**).
- Sponsors of field trip must submit MCPS Form 280-41, *Field Trip Accounting*, or its equivalent at the conclusion of each trip and trips must be reconciled (**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 form, 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. 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 the school administrative secretary to support you with developing a well-defined plan to address the findings.

MJB:SY:sh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Johnson

Dr. Wilson

Mrs. Ahn

Mrs. Morris

Mrs. Camp

Mrs. Chen

Mr. Marella

Mr. Reilly

Mr. Tallur

Mrs. Webster

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 8/10/20	Fiscal Year: 8/10/20
School: Sligo Creek ES - 517 <input type="button" value="v"/>	Principal: Gary M. Rand II
OSSI Associate Superintendent: Diane Morris	OSSI Director: Jennifer Webster
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>5/1/18 - 1/31/20</u>, strategic improvements are required in the following business processes :</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Avoid handwritten disbursement checks to improve internal control procedures	Vanessa Terry	N/A	Monthly review to plan in advance for purchases. (Use J.P Morgan card)	Debra Taylor-miller (Monthly)	
Adhere to SFO monthly closing procedures and timeliness	Vanessa Terry Gary M. Rand II	N/A	Review bi-weekly to assure process is in place (Sign reports monthly) Use color coded system & Checklist)	Gary M. Rand II Debra Taylor-miller (Bi-weekly)	
Purchase request must be approved by the principal prior to procurement.	Gary M. Rand II	N/A	Updates staff on procedures and have a consistent process to evaluate and approve all purchases	Gary M. Rand II (As needed)	
Purchaser must confirm receipt of goods or services to disbursement.	Vanessa Terry	N/A	Vanessa will share and confirm list with Gary.	Debra Taylor-miller (monthly)	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Funds collected by sponsors must be promptly remitted to the school administrative secretary.	Staff/ Vanessa Terry	N/A	Daily procedures in place to have and funds submitted properly and in a timely fashion. (work with the teachers to establish cost in advance.	Vanessa Terry (When needed)	
Remitted funds must be promptly verified, receipted, and deposited in the bank by the school administrative secretary.	Vanessa Terry	Office for counting money (has been designated)	Daily/ Weekly process to deposit money in a timely fashion.	Gary M. Rand II Debra Taylor-miller (Daily)	
Sponsors of field trip must submit MCPS form 280-41, Field Trip Accounting, or its equivalent at the conclusion of each field trip	Vanessa Terry	N/A	Follow the MCPS procedures to assure this is handled in a timely fashion	Debra Taylor-miller (As needed)	

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____	
Director: <u>Jennifer Webster</u>	Date: <u>09/16/20</u>