


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

September 21, 2020

MEMORANDUM

To: Mrs. Shauna-Kay J. Jorandby, Principal
Sligo Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2018, through June 30, 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 September 11, 2020, virtual meeting with you and Ms. Yolanda M. Alston, school financial specialist, we reviewed our prior audit report dated November 13, 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

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 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 school financial specialist. Upon disbursement, the documentation is to be stamped or marked "paid" to preclude duplicate payment (refer to the

MCPS Financial Manual, chapter 20, page 6). In your action plan, you indicated that invoices would be signed by the purchaser to indicate receipt of goods prior to payment being made. In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal, invoices were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received, and documentation supporting purchases were not consistently stamped or marked “paid.” All IAF purchases must comply with MCPS procedures.

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 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 noted that some cardholders had not promptly reviewed their transactions in the online reconciliation program, and the principal had not reviewed and approved transactions online as required. Our recommendation is that action be taken immediately to correct these conditions and bring purchasing card usage into conformity with the *MCPS Purchasing Card User’s Guide*. We also suggest you obtain additional training with the IAU team to eliminate outstanding transactions and institute procedures for staff to comply with MCPS purchase card requirements.

To properly control funds, all cash and checks collected by sponsors for IAF activities must be remitted promptly to the school financial specialist. These funds must then be verified in the presence of the remitter and a receipt that is supported by MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, must be issued promptly (refer to the *MCPS Financial Manual*, chapter 7, page 4). We found instances in which funds were held by sponsors rather than being remitted on a daily basis to the school financial specialist and 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 school financial specialist for prompt deposit.

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 (**repeat**).
- Purchase invoices must be annotated as “paid” to indicate disbursement was made.
- Purchase card activity must comply with the *MCPS Purchasing Card User’s Guide*.
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the school financial specialist.

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 Dr. Peter Moran, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools. 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 financial specialist 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. Smith

Dr. McKnight

Dr. Johnson

Dr. Wilson

Mrs. Ahn

Mrs. Dyson

Mrs. Camp

Mrs. Chen

Mr. Marella

Dr. Moran

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY21 (11/05/2020)	Fiscal Year: FY21 (11/05/2020)
School: Sligo MS - 778	Principal: Shauna-Kay Jorandby
OSSI Associate Superintendent: Cheryl Dyson	OSSI Director: Peter Moran
<u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>10/1/18 - 6/30/20</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
MCPS FORM 280-54: Purchaser must receive approval from the principal prior to procurement; and confirm receipt of goods or services prior to disbursement/reimbursement. Invoices must be annotated as "paid" to indicate disbursement.	Purchaser, SFS and Principal	N/A	Form 280-54 Invoices/Receipts	SFS and Principal prior to processing payment of invoice.	Approval prior to making purchases. Verifying and documenting receipt of goods prior to paying invoice; marking paid invoice as "PAID."
PURCHASE CARD: Cardholders must reconcile/review purchases and principal must review and approve each cardholders' transaction in accordance with the MCPS Purchasing Card User's Guide.	Purchase Card Holders and Principal	N/A	JP Morgan Online Program; Receipts/invoices; JP Morgan Landscape Reporting	Cardholders and Principal by the 5th business day of the following month.	Timely Online reviews and reconciliations of JP Morgan transactions by cardholders and the principal.
REMITTANCES: Remitted funds must be promptly verified, receipted, and deposited in the bank by the school SFS.	Sponsors and SFS	N/A	Remittance Forms Cash/Checks	SFS and sponsor will promptly verify remitted funds.	SFS will promptly receipt remitted funds and deposit funds in the bank.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL

Approved Please revise and resubmit plan by _____

Comments: _____

Director: Peter D. Moran / ew Date: 11-6-20