


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 23, 2023

MEMORANDUM

To: Mr. Peter V. Crable, Principal
Sligo Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2022, through April 30, 2023

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 13, 2023, meeting with you and Ms. Yolanda M. Alston, school financial specialist, we reviewed the prior audit report dated March 8, 2022, and the status of the present conditions. It should be noted that your appointment as principal was effective July 1, 2022. 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 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 financial specialist will then mark the documentation as “paid” prior to disbursing the funds. In our sample of disbursements, we found instances in which purchases were not pre-approved and that 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. 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 the purchase be verified as complete by the recipient and that the invoice or packing slip be marked “received”, signed and dated by the recipient when goods are received at the school. Requiring invoices to be marked “received” ensures that goods or services have been satisfactorily received prior to payment.

The *MCPS Purchasing Card Program* streamlines the process for making low-dollar purchases that are necessary for MCPS operations. Use of the purchasing card does not relieve the cardholder from complying with all MCPS regulations, the procedures in the *MCPS Procurement Manual*, or the *MCPS Financial Manual*. In addition, the use of the MCPS purchasing card must be in accordance with the requirements of the *Montgomery County Public Schools 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 or delegated approver, with all purchase receipts and invoices attached. The principal or delegated approver must review each cardholder’s transactions and approve them by the 10th of the following month, using the online reconciliation program. In the school’s action plan, it was indicated that cardholders would print the statement of account landscape report with all purchase receipts and invoices attached and that they would be reviewed and approved timely. We found that the approver had not approved 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 financial specialist. 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). We found that at times, staff were holding funds and not remitting to the financial specialist when received. We also noted that funds had been held by the financial specialist over the allowable *Cash Holding Authority* (CHA). We recommend that all funds collected must be remitted daily and deposited to the bank 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 in the revenue-only commission accounts rather than the 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.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Purchasing card activity must comply with the *MCPS Purchasing Card User's Guide* and other MCPS regulations (**repeat**).
- Cash and checks (funds) collected by sponsors must be promptly remitted to the school financial specialist and promptly receipted and deposited in the bank.
- Coding and recording of transactions must be in compliance with IAF account structure and utilization.

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, associate superintendent of school support and well-being, Office of Student Support and Well-Being, 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 financial specialist to support you with developing a well-defined plan to address the findings.

MJB:HT:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. Hull

Dr. Murphy

Ms. Morris

Mr. Stockton

Mrs. Williams

Dr. Moran

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY 23	Fiscal Year: FY 23
School: Sligo MS - 778	Principal: Mr. Peter Crable
OSSWB Associate Superintendent: Dr. Peter Moran	OSSWB Director: Dr. Joe Reubens
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>1/1/22 - 4/30/23</u>, strategic improvements are required in the following business processes :</p>	

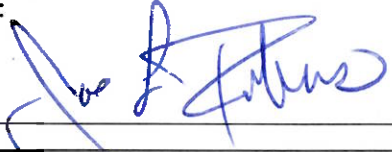
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Principal will communicate to staff that prior approval must be obtained before purchasing items.	Peter Crable		Purchases made prior to approval	Quarterly checkins with financial specialist to identify patterns or concerns	
School Financial Specialist will confirm with sponsors that all goods / services have been received by ensuring that the sponsors sign the invoices and mark "Received" before any disbursements.	School Financial Specialist			Review purchases by semester to ensure process being followed	
Principal will comply with the MCPS Purchasing Card regulations and other regulations for approving transactions.	Peter Crable	Renewed training for P Card users		Review P Card outstanding items by month to approve purchases	
School Financial Specialist will communicate to sponsors that all cash and checks must be submitted promptly to the Finance Office. Funds will be receipted and deposited promptly.	School Financial Specialist	Training as part of being a sponsor			

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
School Financial Specialist will code and record transactions from the correct IAF accounts to be in compliance with IAF account structure.	School Financial Specialist			Monthly review of transactions with principal	

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved Please revise and resubmit plan by _____

Comments:

Director: 

Date: 8/11/23