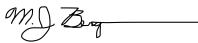


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

May 18, 2021

MEMORANDUM

To: Mrs. Yolanda R. Allen, Principal
Snowden Farm Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
June 1, 2019, through March 31, 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 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 May 10, 2021, meeting with you and Mrs. Michelle N. Grenidge, school administrative secretary (secretary), we reviewed 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. It should be noted that this is the first IAF audit for the school since opening in June 2019.

Findings and Recommendations

The school must utilize the standard IAF chart of accounts (refer to the *MCPS Financial Manual*, chapter 20, page 11). We found instances of nonconformity and recommend that the school's accounts be brought into compliance with the latest chart of accounts. We recommend accounting transactions conform to the IAF chart of accounts to correctly classify and record these transactions for more accurate accountability.

Internal control is a process of interconnected policies, regulations, and procedures, as well as employees' attitudes and actions, that work together to provide a system of checks and balances to achieve proper authorization of expenditures and safeguarding of assets. Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, including copies of all canceled checks, bank reconciliation reports, and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date. We found no indication that the checks or important bank statement reviews were completed consistently during our audit period. We recommend that you initiate a process that ensures this important internal control process occurs monthly (refer to the *MCPS Financial Manual*, chapter 20, page 9).

Once a check or receipt has been written, it shall not be erased or altered. If an error is discovered, the check or receipt must be marked "void" and a replacement issued. Any misprinted checks or receipts must be entered into the accounting system, and all parts of the voided checks and receipts forms must be defaced and retained. We found that at times, the secretary was voiding stock, but not entering the voids into School Funds Online (SFO). In addition, the voided stock was not always kept on file for review by internal audit. Checks and cash receipts that are written in error must be properly voided and retained on file (refer to the *MCPS Financial Manual*, chapter 7, page 4, and chapter 20, page 6).

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 tenth of the following month, using the online reconciliation program. We found that one cardholder had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation program. This was resolved immediately, but we recommend that action continue to be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Notice of Findings and Recommendations

- Accounting transactions must conform to the IAF standard districtwide chart of accounts.
- The principal must independently access and review the bank statement and the checks before the account is reconciled.
- Voided/destroyed checks and receipts in SFO shall be retained for a period of five years after the close of the year to which they apply and until all audit requirements have been met, whichever is longer, and then destroyed.
- Purchasing Cardholders must comply with the *MCPS Purchasing Card User's Guide*.

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 Mr. Eric A. Wilson, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your action plan. Based on the audit recommendations, Mr. Wilson 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 secretary to support you with developing a well-defined plan to address the findings.

MJB:PJM:lsh

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Ms. Stratman

Dr. Wilson

Mrs. Williams

Mr. Koutsos

Mrs. Chen

Mr. Klausling

Mr. Marella

Mr. Reilly

Mr. Tallur

Mr. Wilson

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: May 18, 2021	Fiscal Year: May 18, 2021
School: -- Choose One -- Snowden Farm ES	Principal: Yolanda Allen
OTLS Associate Superintendent: James Koutsos	OTLS Director: Eric Wilson
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>6/1/19-3/31/21</u>, strategic improvements are required in the following business processes :</p> <p>IAF standard district wide charts, review of financial statements, voided/destroyed checks and purchasing card</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Each office team member will attend School Finance Training Part 1 and 2	Yolanda Allen Lisa Burdette Kristi Ricca New Attendance Secretary	PDO course	Attendance	Yearly Yolanda Allen	Yolanda Allen - Completion of Part 1 5/5/21 Completion of Part 2 5/26/21
Each account will be given a name	Lisa Burdette	MCPS Financial Manual, Chapter 20 p. 11	Review of Financial Statements	Monthly: Visiting Bookkeeper Yolanda Allen	
Retain voided/destroyed checks and receipts in a file. Label with year and secure in locked file drawer	Lisa Burdette	None	Review of Financial Statements	Monthly: Visiting Bookkeeper Yolanda Allen	
Review prepare monthly statements, provide purchase receipts and review transactions in the online reconciliation program.	Lisa Burdette Yolanda Allen	Landscape Statement	Review of Purchasing Card Activity	Monthly Yolanda Allen Lisa Burdette	

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>Eric Wilson</u>	Date: <u>6/2/2021</u>