


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 21, 2023

MEMORANDUM

To: Mrs. Michelle L. Fortune, Principal
Snowden Farm Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2021, through August 31, 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 October 9, 2023, meeting with you; Ms. Connie D. Monte, school administrative secretary (secretary); and Ms. Pamela K. Dunn, visiting bookkeeper; we reviewed the prior audit report dated May 18, 2021, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2023, and Ms. Monte's assignment as secretary was effective February 22, 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

Documents supporting the IAF reports are part of the financial records and must be maintained in the school office and filed logically to be readily available for audit or other purposes. IAF records shall be retained for 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 (refer to the *MCPS Financial Manual*, chapter 20, page 16). Our review disclosed that many financial records were misfiled and

not available for review, such as bank statements, cleared checks, bank deposit slips, bank reconciliations, year-to-date reports, sponsor monthly account history reports, disbursements, and receipts. We recommend that IAF records be properly filed and retained to be available for audit.

Transfers of funds between general ledger accounts may be made only after MCPS Form 281-46, *Independent Activity Funds – Transfer*, has been executed by both the account sponsor and the principal. Transfers must be fully documented and adhere to MCPS guidelines for allowable uses of funds. We found that transfers of funds were executed without completion of MCPS Form 281-46 and when the form was attached, the form was missing the sponsor's and/or principal's signature. In addition, we found that descriptions used on transfers did not convey the nature of the funds movement. To improve internal controls, the secretary must be instructed to execute transfers only according to requests approved by the principal or acting principal, and the sponsor on MCPS Form 281-46 and that transfer descriptions be clear to convey to the sponsor what was transferred (refer to the *MCPS Financial Manual*, chapter 20, page 12).

The monthly bank statement shall be delivered directly to the principal for review of the statement, canceled checks, and other documents. The principal should have electronic access to the cleared checks through the bank's online banking system in order to identify the payee on any questionable checks if check images have not been provided by the bank (refer to the *MCPS Financial Manual*, chapter 20, page 9). Documents supporting the IAF reports are part of the financial records and must be maintained in the school office. Supporting documents include bank statements and copies of canceled checks. We noted that during the audit period, the school was not receiving copies of canceled checks from the bank, which prohibited us from reviewing checks written during the audit period. You must request that the bank provide images of canceled checks each month or provide access to cleared checks through the online banking system. Check images must be printed each month and presented to the principal for review along with the bank statement.

Sponsors of school activities that involve the collection or disbursement of IAF must be provided an account history report for each month in which transactions have been recorded in their account or the account has a balance. We found that this essential internal control procedure was not always being used and you did not have a clear process to identify which sponsor had returned their reports. We recommend sponsors be given a monthly account history report of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the reports must be signed and dated by the sponsor to attest to their accuracy. These reports will then be returned to the secretary who will file them for review by the Internal Audit Unit. A procedure must be established to ensure that all reports are reviewed and returned (refer to the *MCPS Financial Manual*, chapter 20, page 10).

The MCPS Financial Manual, Chapter 20, Appendix A, provides guidance on standard IAF chart of accounts pertaining to districtwide standard accounts for consistency in financial reporting. We found instances of nonconformity, and noted that sometimes transactions were not classified properly in appropriate accounts. For example, many disbursements were recorded in districtwide cell tower and student picture account which were established for revenue only commissions. Staff expenditures were recorded in the general account and field trip receipts were recorded in the

general field trip account. We recommend that the school's accounts comply with the latest chart of account guidelines.

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 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 then mark the documentation as "paid" prior to disbursing the funds. In our sample of disbursements, prior approval was not consistently obtained, MCPS Form 280-54 was not always signed and dated by former principal, and secretary was not completing MCPS Form 280-54 for iPayments. We also noted instances in which controls over purchases were weakened including documentation supporting purchases were not stamped or marked "paid", and 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 also found that some items were shipped to staff member's home addresses and that many check requests were not filled out completely by sponsors and the financial agent. 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 and that your secretary completes MCPS Form 280-54 for all iPayments. MCPS Form 280-54 must be completed in full by sponsor, financial agent, and principal to include account name/number to be charged, the request date, the balance available in the account, and the signatures of the sponsor, financial agent, and principal. After MCPS Form 280-54 is approved and payment is processed the secretary must complete part B to include the following information: check date, check number and check amount. We also recommend that all support documents be marked paid, and 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. We also recommend that all items purchased for the school to be shipped to the school address.

To properly control funds, all cash and checks collected by sponsors for IAF activities must be remitted promptly to the secretary. 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 5). A pre-numbered receipt shall be completed by the secretary, and the original shall be given to the person who remitted the funds. This establishes documentary evidence for both parties that provides a written record of the source and amount of the funds for accounting purposes (refer to the *MCPS Financial Manual*, chapter 7, page 4). 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). Every receipt must be attached to the remittance slip and any other source documentation and filed in sequential order together with a copy of the deposit analysis and deposit slip validated by the bank. We noted at times staff collecting funds were holding rather than remitting them timely to the secretary. Also, the secretary was not always making timely deposits and was holding money in excess of permitted amounts. We also noted that at times the secretary took funds to the bank prior to recording in the

accounting software and that she was not always providing a copy of the receipt to the sponsors. We noted that the secretary did not always have complete deposit packages filed in sequential order. In addition, we noted that funds collected from students and remitted to the secretary were not always accompanied by a remittance slip. When MCPS Form 280-34, was remitted to the secretary, they were not always completed in their entirety by the sponsor and at times was missing the date, description, account number, signature, and total amount collected. MCPS Forms 280-34 were also missing the secretary signature; date received, and receipt number. There were many deposit amount errors made and the visiting bookkeeper used the journal entry feature to correct the errors in SFO to balance the accounts. Infrequent deposits increase the possibility of a loss of funds, diminish the school's 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 secretary daily and entered into the accounting software. In addition, all remittances on hand must be deposited promptly, and always before each weekend, end of the month, or holiday. Staff also should monitor their remittances to the secretary to ensure they receive a receipt in a timely manner. MCPS Form 280-34 should be completed in full by the sponsor and the secretary and the secretary should file the deposit package including a deposit analysis, receipts, remittance slips, and the deposit slip verified by the bank.

Sponsors of field trips must have a complete class or club roster of student names to annotate the amount each student paid, date paid, eligible students who did not participate in the field trip, and students who received waivers, scholarships, or reduced fees. This data together with a list of all chaperones and volunteers must be provided to the secretary at the completion of each trip, and compared to remittances recorded in the trip account history report (refer to the *MCPS Financial Manual*, chapter 20, page 10). We found that field trips did not always have a field trip request form approved by former principal. We also found that sponsors were not providing completed data at the conclusion of each trip, and the data was not being reconciled to the final account history report. We recommend that the principal reviews, signs and dates all field trip requests. We also recommend that all sponsors be required to use MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and this data be reconciled by the secretary with remittances recorded in activity accounts. The use of School Cash Online (SCO) to record all payments will greatly improve the ability to reconcile all field trips and track which students have paid, were waived, or did not attend.

Notice of Findings and Recommendations

- IAF must be managed in accordance with effective internal control procedures that include safeguarding of financial records until required audits are completed.
- Transfers between fund accounts must be fully documented and approved on MCPS Form 281-46 and descriptions must convey where funds came and went from.
- Monthly bank statement reviews must include cleared checks (**repeat**).
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the secretary.

- Accounting transactions must conform to the IAF standard districtwide chart of accounts **(repeat)**.
- Purchase requests must be fully completed and approved by the principal prior to procurement including when paying MCPS invoices.
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made, and purchaser must confirm receipt of goods or services prior to disbursement.
- Cash and checks (funds) collected by sponsors must be promptly remitted intact with a completed Form 280-34 to the secretary and all staff provided with a receipt.
- Cash and checks (funds) remitted by sponsors must be promptly verified and receipted, prior to being deposited in the bank by the secretary.
- Field trip request for approval forms, must be signed and dated by the principal.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate and the secretary must reconcile funds collected with account history reports.

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. Christophe Turk, director of school support and well-being, Office of School Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Mr. Turk 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:YSG:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Dr. Collins

Mr. Hull

Dr. Kimball

Mr. Stockton

Mrs. Williams

Mr. Adams

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Mr. Turk

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: December 21, 2023	Fiscal Year: 2022-2023
School or Office Name: Snowden Farm Elementary School	Principal: Michelle Fortune
OSSWB Associate Superintendent: Mr. David Adams	OSSWB Director: Mr. Christophe Turk
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period April 1, 2021, through August 31, 2023 , 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
<ul style="list-style-type: none"> ● IAF must be managed in accordance with effective internal control procedures that include safeguarding of financial records until required audits are completed. <ul style="list-style-type: none"> ○ Establish a clear filing system in accordance with procedures and a safe space to maintain it. 	Ms. Connie Monté	Monthly files with subfolders and opportunity for Ms. Monté to visit other admin secretaries to observe their systems	Monthly check of files after the visiting bookkeeper visited	Ms. Connie Monté and Ms. Michelle Fortune	
<ul style="list-style-type: none"> ● Transfers between fund accounts must be fully documented and approved on MCPS <ul style="list-style-type: none"> ○ Form 281-46 needs to include descriptions that must convey where funds came and went from. 	Ms. Connie Monté	281-46	Monthly check of transfers after the visiting bookkeeper visited	Ms. Connie Monté and Ms. Michelle Fortune	

<ul style="list-style-type: none"> ● Monthly bank statement reviews must include cleared checks (repeat). <ul style="list-style-type: none"> ○ Establish a clear system for reviewing monthly bank statements that include cleared checks. 	Ms. Connie Monté	Bank statements	Ensuring the bank statements have the cleared checks when signing them monthly	Ms. Connie Monté and Ms. Michelle Fortune	
<ul style="list-style-type: none"> ● Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the secretary. <ul style="list-style-type: none"> ○ Establish a consistent system that includes monthly reports being provided to sponsors to ensure effective checks and balances related to the account history. 	Ms. Connie Monté	Monthly Sponsor Reports and opportunity for Ms. Monté to visit other admin secretaries to observe their systems	Monthly check of sponsor reports after the visiting bookkeeper visited	Ms. Connie Monté and Ms. Michelle Fortune	
<ul style="list-style-type: none"> ● Accounting transactions must conform to the IAF standard district wide chart of accounts. 	Ms. Connie Monté	IAF reports	Bi-monthly check of IAF after the visiting bookkeeper visited	Ms. Connie Monté and Ms. Michelle Fortune	
<ul style="list-style-type: none"> ● Purchase requests must be fully completed and approved by the principal prior to procurement including when paying MCPS invoices. 	Ms. Connie Monté	Purchase request form, JP Morgan card and Amazon Account for SFES	Bi-monthly check of after the visiting bookkeeper visited	Ms. Connie Monté and Ms. Michelle Fortune	<ul style="list-style-type: none"> ● This information was shared with staff at the beginning of the year and recently in the newsletter.
<ul style="list-style-type: none"> ● Purchase invoices and receipts must be annotated as paid to indicate disbursement was made and purchase confirmed receipt of good and/or service provided. 	Ms. Connie Monté	Paid/ received stamps and process for collecting invoices	Bi-monthly check of after the visiting bookkeeper visited	Ms. Connie Monté and Ms. Michelle Fortune	<ul style="list-style-type: none"> ● This information was shared with staff at the beginning of the year

<ul style="list-style-type: none"> ● Cash and checks collected by sponsors must be promptly remitted intact with a completed 280-34 form to the secretary. <ul style="list-style-type: none"> ○ Receipts must go out to the staff/ sponsors turning in the forms ○ Encourage Families to use School Cash Online ○ Have staff register and sign in to School Cash Online to monitor 	Ms. Connie Monté	280-34, new field trip guidelines, and PDO number for SCO	Check after the field trip/ activity is complete and the visiting bookkeeper visited	Ms. Connie Monté and Ms. Michelle Fortune	<ul style="list-style-type: none"> ● This information was shared with staff at the beginning of the year through the Field Trip process
<ul style="list-style-type: none"> ● Cash and checks/ funds remitted by sponsors must be promptly verified and receipted prior to being deposited in the bank. <ul style="list-style-type: none"> ○ Ensure the remittance matches the dates submitted. ○ Receipts must go out to the staff/ sponsors turning in the money. ○ \$250 can be kept in the safe but a deposit slip needs to be completed by the end of the week. 	Ms. Connie Monté	Receipts	Check after the field trip/ activity is complete and the visiting bookkeeper visited	Ms. Connie Monté and Ms. Michelle Fortune	<ul style="list-style-type: none"> ● This information was shared with staff at the beginning of the year through the Field Trip process
<ul style="list-style-type: none"> ● Field trip requests and forms must be approved by the principal with a signature and date. 	Ms. Connie Monté	New field trip guidelines	Check after the field trip/ activity is complete and the visiting bookkeeper visited	Ms. Connie Monté and Ms. Michelle Fortune	<ul style="list-style-type: none"> ● This information was shared with staff at the beginning of the year through the Field Trip process
<ul style="list-style-type: none"> ● Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate. <ul style="list-style-type: none"> ○ The secretary must reconcile the funds collected with the account history report. ○ A final report must be run after each field trip to ensure that reconciliation has been complete. 	Ms. Connie Monté	Reconciliation form and student list	Check after the field trip/ activity is complete and the visiting bookkeeper visited	Ms. Connie Monté and Ms. Michelle Fortune	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<p>Report Date: 12/21/23</p> <p>School or Office Name: Snowden Farm Elementary School</p>			<p>MANAGEMENT ACTION PLAN</p> <p>Fiscal Year: 2022-2023</p> <p>Principal: Michelle Fortune</p>		
<p>OSSWB Associate Superintendent: Mr. David Adams</p> <p>Strategic Improvement Focus: As noted in the financial audit for the period</p>	<p>_____</p> <p>—</p>		<p>OSSWB Director: Mr. Christophe Turk</p> <p>, strategic improvements are required in the following business processes :</p>		

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
<p>Comments:</p> <p>_____</p> <p>—</p> <p>_____</p> <p>_____</p>	

Director: —

Chen

Date:

2/8/24