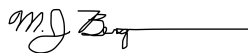


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

November 4, 2021

MEMORANDUM

To: Mr. Matthew A. Devan, Principal  
Twinbrook Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
October 1, 2018, through August 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 fund-raisers. 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, 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 29, 2021, virtual meeting with you; and Mrs. Mary K. Kapp, school administrative secretary (secretary) we reviewed the 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**

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 reviews, such as bank deposit slips, bank reconciliations, year-to-date reports, sponsor account monthly reports, JP Morgan account of landscape with receipts, MCPS invoices

and payments, deposit analysis, receipts, and remittance slips. We recommend that IAF records be properly filed and retained to be available for audit.

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, the monthly 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 (refer to the *MCPS Financial Manual*, chapter 20, page 9). Although these reports were prepared monthly by the school's visiting bookkeeper, reconciliation reports for several months during the audit period could not be located. In your action plan, you indicated that the secretary would monitor dates to ensure that IAF reports were signed by the 20th of each month and that you and the secretary would have monthly meetings specifically to review financial statements. We found that the principal had not always signed and dated the bank statement prior to the visiting bookkeeper completing the reconciliation. Also, the monthly bank reconciliation and ledger reports were not consistently signed by the principal to indicate review. We recommend that you initiate a process that ensures adequate maintenance and retention of monthly reconciliation reports in the IAF financial records.

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 this essential internal control procedure was not being used. We recommend sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the statements must be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all statements are reviewed and returned (refer to the *MCPS Financial Manual*, chapter 20, page 10).

Any misprinted checks and receipts must be entered into the accounting system and voided in accordance with the procedures outlined in the School Funds Online (SFO) User's Guide. All parts of any voided receipt and check forms must be defaced and retained. We found instances in which sequence numbers in SFO did not agree with actual receipts or cashed checks. We recommend compliance with SFO procedures for voiding receipts and checks.

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. Upon issuance of a check, the secretary will mark the documentation as "paid" to preclude duplicate payment. In our sample of disbursements, we found instances in which MCPS Form 280-54, was not consistently presented to the principal for a signature indicating authorization to proceed with the purchase, the principal did not always date MCPS Form 280-54, documentation supporting purchases were not always stamped or marked "paid," and documentation was not annotated by the recipient to indicate purchased goods or services were satisfactorily received. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAFs. We recommend that MCPS Form 280-54 be prepared,

with an estimate by staff and signed by you, at the time verbal approval is sought. Complete documentation must be attached to fully explain the reason for the purchase. All invoices must be marked to indicate items were received and documentation stamped "paid."

An individual using a personal credit card will not be reimbursed for the sales tax portion of a purchase (refer to the *MCPS Financial Manual*, chapter 20, page 9). We found that sales tax was paid to the vendors and reimbursed to staff members. All school related purchases are sales tax exempted. We recommend that when sales tax is paid, the cardholder should ask for refunds from vendor or re-payment by a staff member.

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. In your action plan, you indicated that your secretary, with the assistance of your bookkeeper, would prepare JP Morgan monthly statements and receipts packets for the principal's review. You also stated that your secretary would review transactions by the fifth of each month and the principal would review by the tenth of each month, using the online program. We found that cardholders had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the principal 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.

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 shall be attached to the remittance slip and any other source documentation and be filed in sequential order together with a copy of the deposit slip validated by the bank. We noted at times 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 accounting software. We noted that the secretary did not always have complete deposit packages filed in sequential order. 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.

### **Notice of Findings and Recommendations**

- The IAF must be managed in accordance with sound accounting practices and effective internal controls that include safeguarding financial records until required audits are completed.
- Monthly bank statements, bank reconciliations, and ledger reports must be signed and dated by the principal in a timely manner (**repeat**).
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the secretary.
- Checks and receipts that are voided must be defaced and retained.
- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made.
- Sales tax is not to be reimbursed to staff members or vendors.
- Purchase card transactions must be documented, reviewed, and approved by the principal in the online program (**repeat**).
- Cash and checks (funds) remitted by sponsors must be promptly verified and receipted, prior to being deposited in the bank by the secretary.
- Funds collected by sponsors must be promptly remitted to the secretary and promptly deposited.
- MCPS Forms 280-34 and any other source documentation must accompany every remittance and be filed in accordance with Chapter 7 of the *MCPS Financial Manual*.

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, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, 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 administrative secretary to support you with developing a well-defined plan to address the findings.

MJB:YSG:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. D'Andrea

Ms. Dawson

Ms. Reuben

Mrs. Williams

Dr. Dyson

Mr. Reilly

Mrs. Eader

Mrs. Chen

Mr. Klausling

Dr. Moran

Mrs. Ripoli

Ms. Webb

**FINANCIAL MANAGEMENT ACTION PLAN**

**Report Date:**

**Fiscal Year:**

**School:**

**Principal:**

**OTLS**

**Associate Superintendent:**

**OTLS**

**Director:**

**Strategic Improvement Focus:**

As noted in the financial audit for the period \_\_\_\_\_, 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

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"/> <b>Approved</b>	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director: <u>    <i>Peter O. Moran</i>    </u> <small>ovz</small>	Date: <u>    12/15/21    </u>