


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

March 8, 2022

MEMORANDUM

To: Mr. Matthew D. Hawkins, Principal
Viers Mill Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2019, through January 31, 2022

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, 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 February 23, 2022, meeting with you; Katherine A. Schwartz, assistant principal; and Mrs. Laurie A. Schmidt, school administrative secretary (secretary), we reviewed the prior audit report dated December 12, 2019, 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 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 inappropriate 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 your action plan, you indicated that all purchase requests would have adequate documentation and prior approval before purchases were made. You also indicated that invoices would be marked as received. In our sample of disbursements, we found instances in which purchases were not pre-approved 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 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 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.

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 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). In your action plan, you indicated that all collected funds would be remitted and deposited daily. In our sample of receipts, we found instances in which staff collecting funds were holding funds rather than remitting them timely to the secretary. Also, the secretary was not always making timely deposits and was holding money over the weekend or the last working day of the month. To minimize the risk of loss and to 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 should monitor their remittances to the secretary to ensure they receive a receipt in a timely manner.

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Funds collected by sponsors must be promptly remitted to the secretary and deposited in the bank by the secretary (**repeat**).

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 Mrs. Jennifer L. Webster, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Mrs. Webster will indicate whether she 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:HT:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. D'Andrea

Dr. Dawson

Ms. Reuben

Mrs. Williams

Mrs. Morris

Mr. Reilly

Mrs. Chen

Mrs. Eader

Mr. Klausling

Mrs. Ripoli

Mrs. Webster

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2022	Fiscal Year: 2022
School: Viers Mill ES - 772	Principal: Mr. Matthew Hawkins
OTLS Associate Superintendent: Ms. Diane Morris	OTLS Director: Dr. Jennifer Webster
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>10/1/19-1/31/22</u> , strategic improvements are required in the following business processes :</p> <p>Purchase Requests/Receiving and Cash Receipts</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchase Requests and Receiving: MCPS Form 280-54 must be fully completed with estimated purchase costs recorded. Receiver must initial and mark "rec'd" on invoice/packing slip to document items purchased are satisfactorily received.	Principal or Assistant Principal Administrative Secretary	n/a	MCPS Form 280-54 Accompanying receipts and packing slips	Principal or Assistant principal: ongoing Administrative Secretary: ongoing	All purchase requests will have correct documentation. Packing slips will be maintained.
Cash Receipts: Sponsors must remit funds collected to administrative secretary on the same day. All funds over \$250, all funds on Friday, those before holiday and end of the month are taken to bank for deposit. Administrative secretary will post all cash receipts prior to bank deposit and document late remittances and leaves on Form 280-34.	Administrative Secretary Sponsors	n/a	MCPS Form 280-34 Clarify sponsor responsibilities during May 16th Staff Meeting.	Administrative Secretary Sponsors	All funds collected will follow remittance procedures and adhere to noted timelines.

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OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL

Approved

 Please revise and resubmit plan by _____

Comments: _____

Director: Jennifer L. Webster Date: 4 / 11 / 22