

Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

October 30, 2020

MEMORANDUM

To: Ms. Holly A. Hill, Principal  
Wayside Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
November 1, 2017, through June 30, 2020

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 15, 2020, virtual meeting with you; Mr. Vernon A. Jones, assistant principal; and Mrs. Darian M. Sessoms, school administrative secretary, we reviewed the prior audit report dated December 12, 2017, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2020. 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

A principal is the individual who has the overall fiduciary responsibility for the IAF. Unless prohibited, a principal may delegate in writing the authority to transact financial business in their name to a subordinate individual; however, the principal remains ultimately responsible for that

individual's actions. Written delegations pertaining to IAF shall be filed with the IAF records, and updated each fiscal year (refer to the *MCPS Financial Manual*, chapter 20, page 4). We found no written delegation on file delegating a subordinate administrator authority to sign checks and other financial documents. We noted numerous checks and other financial documents were signed by the school assistant principal. We recommend that the principal signs, at the beginning of each fiscal year, a memorandum designating authority to the individual who will be the acting principal when the principal is absent.

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. In addition, we found that descriptions used on transfers did not convey the nature of the funds movement. To improve internal controls, the school administrative secretary must be instructed to execute transfers only according to requests approved by the principal, or acting principal, on MCPS form 281-46 and the transfer descriptions be clear to convey to the sponsor what was transferred (refer to *MCPS Financial Manual*, chapter 20, page 12).

Cash and checks collected by sponsors and other authorized individuals for IAF activities must be remitted promptly and intact to the school administrative secretary on the same day they are received to minimize the risk of loss or theft. Funds received by the school administrative secretary must be deposited promptly and intact into the school's bank account to reduce the possibility of loss or theft. This means that the total amount of cash and checks remitted to the school administrative secretary must equal the same total amount of cash and checks deposited. Additionally, all remittance of funds received by the school administrative secretary must be deposited on the last working day of each month and before each weekend or holiday. We noted that the school administrative secretary was holding funds over the allowable amount and many times over a weekend or end of month. We also noted that deposits were not being posted to the school funds online (SFO) prior to making the deposits. We also found some deposits did not match the funds remitted by sponsors. Large and infrequent deposits increase the possibility of a loss of funds, as well as decrease the school's ability to fund activities. To minimize the risk of loss or theft and provide availability of funds to meet school needs, all funds remitted to the school administrative secretary must be promptly deposited and intact (refer to the *MCPS Financial Manual*, chapter 7, page 4). In addition, all remittances on hand must be deposited on the last working day of each month and before each weekend or holiday.

Fundraising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. We found that there was a lack of adherence to these guidelines. Although sponsors submitted a fundraiser request form for principal's approval to conduct an activity; however, a completion report at the conclusion of the activity was not prepared or valued. We noted that the reports submitted from the sponsors and cash receipts in school funds online (SFO) are not matching and showing a deficit. A completion report for an activity involving the sale of items must include the total number of items for sale and cost of each, selling prices, and any remaining inventories to determine whether all sums collected were remitted to the school

administrative secretary. Following internal control procedures provides for accountability of funds raised, as well as the opportunity to evaluate the results at the conclusion of the activity.

Sponsors of field trips must keep records of the names of trip participants with the amount and date collected from each, and provide this information to the school administrative secretary when all fees have been collected. MCPS Form 280-41, *Field Trip Accounting*, or an equivalent accounting form, must be used for this purpose. The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. Review of field trip activities revealed several weaknesses that included field trip sponsor's accounting records did not always match the total receipts recorded in SFO. Also, we noted that the school administrative secretary did not perform a reconciliation at the conclusion of a trip to reconcile all receipts and resolve any discrepancies. We recommend that all sponsors and the school administrative secretary be required to follow the procedures outlined above to comply with the MCPS regulations.

#### Notice of Findings and Recommendations

- Written delegations of the principal's authority to transact IAF financial business, updated for each fiscal year, shall be filed with the IAF records.
- Transfers between accounts should be fully documented and approved.
- Cash and checks (funds) remitted by sponsors must be promptly receipted and deposited in the bank by the school administrative secretary in accordance with Chapter 7 of the *MCPS Financial Manual*.
- All receipt numbers must be accounted for in SFO.
- Deposits must be posted in SFO prior to being made at the bank.
- Fundraiser completion reports must be prepared by the sponsor, for review by the principal, and must provide sufficient information to analyze results.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and school administrative secretary must reconcile funds collected with account history report.
- Field trip request for approval forms must be signed by the principal prior to sponsors contracting with vendors.

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 form, 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. 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:BK:lsh  
Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Ms. Stratman

Dr. Wilson

Mrs. Ahn

Mrs. Dyson

Mrs. Camp

Mrs. Chen

Mr. Marella

Dr. Moran

Mr. Reilly

Mr. Tallur

Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> 2020-2021	<b>Fiscal Year:</b> 2020-2021
<b>School:</b> Wayside ES - 235 <span style="float: right;">▼</span>	<b>Principal:</b> Holly A. Hill
<b>OTLS Associate Superintendent:</b> Cheryl L. Dyson	<b>OTLS Director:</b> Peter O. Moran
<p><b><u>Strategic Improvement Focus:</u></b>          As noted in the financial audit for the period <u>2017-2020</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
Prepare a delegation letter that authorizes the assistant principal to sign financial documents in the absence of the principal. This letter will be updated yearly.	Darian Sessoms Holly Hill	Type written Letter, signed	Annual letter on file with signatures.	Holly Hill	Letter has been prepared and signed. It was placed in the folder with the yearly financial documents.
Prepare form 281-46 and obtain approval prior to transferring funds. This process consist of notifying all sponsors and the principal prior to making transfers. Documents will be filed in the monthly folder in which the transfer was made.	Darian Sessoms Holly Hill	Form 281-46	Ensure each activity sponsor prepares and completes at the end of each fundraiser.	Holly Hill	Each sponsor will be notified and trained on how forms/reports and how to complete the forms/reports.
Cash and checks will be collected daily by sponsors and submitted to the administrative secretary to deposit. Admin will then count deposit and print a receipt for the records of the financial folder and the sponsor. Funds will be deposited daily as time permits, no later then Friday or the pass end of the month	Darian Sessoms Holly Hill	Designed schedule to collect deposits from sponsors	Ensure sponsors are remitting receipts timely and at the presence of the admin. Also make sure sponsors are keeping track using the accounting forms	Darian Sessoms	Updated forms have been posted in T;Shared for easy access to sponsors. A verbal conversation was made to sponsors about the process of collection.
Field trip records must be completely filled out by sponsors and submitted to admin sec at the end of the field trip. Collections and forms must match. Also make sponsors aware not to sign any contracts or book FT until principal has approved.	Darian Sessoms Holly Hill	280-41 FT Accounting	Ensure the sponsors are completing all forms accurately.	Darian Sessoms	Each grade level has a FT folder in T;Shared with the updated FT forms. For each FT admin prepares a packet to track action items for the FT.

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Fundraiser completion reports must be prepared by the sponsor, for review by the principal, and must provide sufficient information to analyze results.	Darian Sessoms Holly Hill Sponsors	Guidelines for Sponsoring an Independent Activity Fund Fundraiser.	Create a checklist for use in adhering to the guidelines. All completion reports will be prepared to show alignment. Completion reports will be checked for number of items/cost/remaining inventory to determine collected sums.	Darian Sessoms Holly Hill Monthly during the length of sponsored activity. At the end of the fundraiser	Signed approval form for fundraiser and supporting documents. Monthly statements Completion Reports.

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>cvz</small>	Date: <u>  12/28/2020  </u>