

Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

June 25, 2024

MEMORANDUM

To: Mrs. Karen M. Cox, Principal  
Westbrook 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 May 31, 2024

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 June 7, 2024, meeting with you and Ms. Carol M. Grabner, school administrative secretary (secretary), we reviewed the prior audit report dated May 3, 2021, and the status of the 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**

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 must 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 it was missing the sponsor's signature. In addition, we found that descriptions used on transfers did not convey the nature of the fund's movement. To improve internal controls, the secretary must be instructed to execute transfers only according to requests approved by the principal or designee and signed by the account sponsor, on MCPS Form

281-46 and that the reason for transfer be clear to convey to the sponsors what was transferred in and out of an account (refer to the *MCPS Financial Manual*, chapter 20, page 12).

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 your action plan, you indicated staff would be denied reimbursement if not pre-approved and verbal approvals would be documented with an email and attached to the Form 280-54. In our sample of disbursements, prior approval was not consistently obtained and the secretary was not completing MCPS Form 280-54 for iPayments. We also noted that many check requests were not filled out completely by sponsors and the secretary. By requiring prior approval, the principal retains control over the expenditure of IAF funds and by completing a 280-54 for each disbursement, the principal is aware each time a disbursement is being made. 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, secretary, 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, secretary, 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.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card Users 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, or the statement of account landscape report, 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 10th of the following month, using the online reconciliation program. In your action plan, you indicated all reports would be signed and dated, reviewed and approved timely and descriptions, identification of staff/student and account numbers would be added. We found that some cardholders had not promptly prepared their monthly statements, provided description of items purchased, indicated IAF account number when required, or printed their statement of landscape. 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

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the secretary. 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 funds received in the school will be receipted and remitted to the bank daily and staff will be trained on fiscal responsibilities annually. We found that at times, staff were holding funds and not remitting them to the secretary when received. We also noted that funds had been held by the secretary over the allowable *Cash Holding Authority* (CHA). In addition, we noted that MCPS Form 280-34,

*Remittance Slip*, was not always filled out completely by the sponsor and at times was missing the date, description, signature, and total amount collected. We recommend that all sponsors complete the remittance slip in full and to minimize the risk of loss; all funds collected must be remitted daily and deposited to the bank promptly

**Notice of Findings and Recommendations**

- Transfers between accounts must be fully documented using Form 281-46, including which account funds are transferred to and from, and signed by principal and sponsor.
- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- MCPS Form 280-54 must be completed for all iPayments.
- Purchase card transactions must be documented, reviewed, and approved by the principal by the 10<sup>th</sup> of the following month (**repeat**).
- Cash and checks (funds) collected by sponsors must be remitted daily and promptly receipted and deposited in the bank by the secretary in accordance with Chapter 7 of the *MCPS Financial Manual* (**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 Ms. Natasha Bolden, executive 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, Ms. Bolden 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:LMB:rg

Attachment

Copy to:

Members of the Board of Education  
Dr. Felder  
Ms. Alfonso Windsor  
Ms, Dempsey  
Dr. Johnson  
Dr. Moran  
Mrs. Williams  
Mr. McGee

Mr. Reilly  
Ms. Bolden  
Mrs. Chen  
Mr. Chia  
Mr. Klausling  
Mrs. Ripoli  
Ms. Webb

### FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date: June 25, 2024</b>	<b>Fiscal Year: April 1, 2021 - May 31, 2024</b>
<b>School or Office Name: Westbrook Elementary School</b>	<b>Principal: Karen M. Cox</b>
<b>OSSWB Associate Superintendent: Sean McGee/Tamitha Campbell</b>	<b>OSSWB Director: David Chia/Michael Zarchin</b>
<p><b><u>Strategic Improvement Focus:</u></b>                  As noted in the financial audit for the period <b>April 1, 2021 - My 31, 2024</b>, strategic improvements are required in the following business processes :                  Financial Reports and Internal Controls, Disbursements, Purchasing Cards, and Cash Receipts.</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<p><b>1. Financial Reports and Internal Controls:</b>                      All funds transferred between accounts will be fully documented using Form 281-46.</p>					All transferred funds transactions will have a completed 281-46 attached.
<p>The administrative secretary will complete Form 281-46 (Independent Activity Funds Transfer) before transferring any funds and provide the completed form to the principal for approval.</p> <p>Completion includes:</p> <ul style="list-style-type: none"> <li>- Ensuring the transfer adheres to MCPS guidelines</li> <li>- A complete description of the transfer, including the reason and account numbers</li> <li>- All signatures and dates are completed accurately</li> </ul>	<p><b>Administrative Secretary</b></p>	<p><b>Form 281-46</b></p> <p><b>Financial Manual</b></p>	<p><b>All transferred funds will have Form 281-46 attached to the monthly reconciliation paperwork.</b></p>	<p><b>Monthly Reconciliation (with the visiting bookkeeper by the 20th of each month)</b></p> <p><b>Visiting Bookkeeper and Principal</b></p>	

<p><b>2. Disbursements</b></p> <p>All purchase requests (Form 280-54) will be approved by the principal before procurement.</p>					<p>All purchase requests (Form 280-54) will be approved by the principal before procurement.</p>
<p>The administrative secretary will provide the principal with a completed Form 280-54 before distributing any funds according to the MCPS Financial Procedures and Policies (Financial Manual). The principal will sign MCPS Form 280-54 to approve the Independent Activity Funds Request for a Purchase.</p>	<p>Administrative Secretary Principal</p>	<p>Form 280-54 Financial Manual</p>	<p>All check requests will have a completed Form 280-54, Independent Activity Funds, attached.</p>	<p>Monthly Reconciliation Visiting Bookkeeper</p>	
<p>The principal and administrative secretary will train staff during pre-service specifically on the correct processes for completing Form 280-54.</p>	<p>Principal Administrative Secretary</p>	<p>Presentation Form 280-54 Audit Report and Action Plan for staff</p>		<p>August 21, 2024</p>	
<p><b>Completion of Form 280-54:</b></p> <p><b>BEFORE PURCHASE:</b></p> <ol style="list-style-type: none"> <li>1. The purchaser completes 280-54 <b>BEFORE</b> making any purchases. <ol style="list-style-type: none"> <li>a. The purpose of the request is <b>completed</b> in detail.</li> <li>b. An estimate of expected expenditures (maximum</li> </ol> </li> </ol>	<p>Staff (Requestor) Principal Administrative Secretary</p>	<p>Form 280-54 Financial Manual</p>	<p>Completed Form 280-54 Chart of Accounts and balances</p>		

<p>allowable expense) must be provided.</p> <p>c. The administrative secretary will annotate Form 280-54 with the appropriate account name and number and available balances.</p> <p>d. The form is signed and dated by the requestor.</p> <p>e. Principal signs 280-54, approving <u>before</u> purchasing.</p>					
<p><b>AFTER PURCHASE:</b></p> <ol style="list-style-type: none"> <li>The purchaser must sign invoices/receipts for goods or services to indicate satisfactory receipt.</li> <li>The Administrative Secretary will then mark the documentation as “paid” before processing the distribution of funds.</li> <li>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.</li> </ol>	<p><b>Staff (Requestor)</b></p> <p><b>Principal</b></p> <p><b>Administrative Secretary</b></p>	<p><b>Form 280-54</b></p> <p><b>Financial Manual</b></p>	<p><b>Completed 280-54</b></p>	<p><b>Monthly Reconciliation</b></p> <p><b>Visiting Bookkeeper</b></p>	
<p><b>3. Purchasing Card</b></p> <p>MCPS Form 280-54, <i>Independent Activity Funds</i> will be completed for all iPayments.</p>	<p><b>Administrative Secretary</b></p> <p><b>Principal</b></p>	<p><b>Form 280-54</b></p> <p><b>Financial Manual (Chapter 20)</b></p>	<p><b>Completed 280-54</b></p>	<p><b>Monthly Reconciliation</b></p> <p><b>Visiting Bookkeeper and principal</b></p>	<p>All iPayment transactions will have a completed MCPS Form 280-54, <i>Independent Activity Funds</i>.</p>

<p>The Administrative Secretary will complete Form 280-54 before making any iPayments using the steps outlined above: 2. <i>Disbursements, Competition of Form 280-54.</i></p>	<p><b>Administrative Secretary</b></p>	<p><b>Form 280-54</b> <b>Financial Manual (Chapter 20)</b></p>			
<p><b>4. Purchasing Cards</b> Purchase card transactions will be documented, reviewed by cardholders, and approved by the principal by the 10<sup>th</sup> of the following month.</p>	<p><b>Administrative Secretary</b>  <b>Principal</b></p>	<p><b>Financial Manual</b>  <b>JP Morgan Resources</b>  <b>MCPS Purchasing Card Users Guide</b></p>	<p><b>Approved landscape reports for all purchase cards with monthly checklists are attached.</b></p>	<p><b>Monthly Reconciliation</b>  <b>Visiting Bookkeeper and principal</b></p>	<p>All purchase card accounts are reviewed and signed by the principal by the 10<sup>th</sup> of the following month.</p>
<p>Cardholders (currently only the Administrative Secretary) will use the online reconciliation program to identify, describe, and review transactions. Monthly statements, or the <i>statement of account landscape report</i>, must be printed and provided to the principal, with all purchase receipts and invoices attached.</p> <p>The Administrative Secretary will create a monthly reminder in her Outlook to prompt reminders to print all monthly statements (landscape reports) and complete Cardholder's <u>Monthly Checklist</u>. Once reviewed (must use the online reconciliation program to identify, describe, and review transactions) by the cardholder, they will be presented to the principal (with all purchase receipts and invoices attached) for review (no later than the</p>	<p><b>Administrative Secretary</b>  <b>Principal</b></p>	<p><b>Financial Manual</b>  <b>JP Morgan Resources</b>  <b>MCPS Purchasing Card Users Guide</b>  <u>Monthly Checklist for Cardholders</u>  <u>Monthly Checklist for approvers</u></p>			

<p>7th of each month, and the Friday before it falls on a non-duty day) and approved by the 10th of the following month.</p>					
<p><b>5. Cash Receipts</b> Cash and checks (funds) collected by sponsors will be remitted daily, promptly received, and deposited in the bank by the administrative secretary.</p>	<p><b>Administrative Secretary</b>  <b>Principal Sponsors</b></p>	<p><b>Financial Manual (Chapter 7)</b>  <b>Calendar of Events</b>  <b>Form 280-34</b></p>	<p><b>Completed Form 280-34</b>  <b>The principal signed the bank receipt for the deposit.</b></p>	<p><b>Monthly Reconciliation</b>  <b>Visiting Bookkeeper and principal</b></p>	<p>All cash and checks will be collected daily, correctly received, and deposited in a timely manner</p>
<p>The principal and administrative secretary will train staff during pre-service specifically on the correct processes for fund collection and processing (MCPS Form 280-34, <i>Remittance Slip</i>)</p>	<p><b>Principal</b>  <b>Administrative Secretary</b></p>	<p><b>Presentation</b>  <b>MCPS Form 280-34, Remittance Slip</b></p>			
<p>The Administrative Secretary will create calendar notifications on her and the principal's calendars for days when funds are expected (e.g., field trip collection).</p> <p>Staff will remit funds and Form 280-34 (complete, including the date, description, signature, and the total amount collected) to the secretary <u>THE SAME DAY COLLECTED</u>.</p> <p>The administrative secretary will deposit funds promptly. All receipts must be deposited on the last working day of each month and before each weekend or holiday.</p>	<p><b>Administrative Secretary</b>  <b>Principal</b></p>	<p><b>Financial Manual</b>  <b>Form 280-34</b>  <b>Bank Receipts</b>  <b>Calendar of Events</b></p>			



All deposit slips with completed Form 280-34 will be submitted to the principal for signature before filing.

**OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)**

**Approved**  **Please revise and resubmit plan by \_\_\_\_\_**

Comments:

\_\_\_\_\_

\_\_\_\_\_

Director:



Date:

8-22-24

D. Chia

August 22, 2024