


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

January 6, 2023

MEMORANDUM

To: Dr. Joshua H. Munsey, Principal
Wheaton High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2021, through September 30, 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 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 November 30, 2022, meeting with you; Mrs. Sandra J. Spruill, school business administrator, and Mrs. Lillian Flores, school financial specialist, we reviewed the prior audit report dated December 2, 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

The management of IAF must be in accordance with good business practices that include sound accounting and internal control procedures. We found that staff did not have adequate procedures in place for proper control and oversight of IAF. As a result, we noted a large number of accounting transfers, journal entries, and other transactions to correct entries, account number errors, and to void checks and receipts. We also found that some receipts had been voided in the

system, but then the receipt stock was reused and the numbers were reentered into School Funds Online (SFO). Once a receipt has been written, it shall not be reused. If an error is discovered, the receipt must be marked “void” and a replacement issued. Any misprinted receipts must be entered into the accounting system, and the two parts of any voided receipt forms must be defaced and retained. We recommend that you work with the financial specialist to establish processes that will structure workflow to ensure control and appropriate oversight of IAF, and to monitor transaction activity in an effort to reduce the number of errors (refer to the *MCPS Financial Manual*, Chapter 20, page 1).

MCPS allows schools to spend their own funds to purchase instructional materials and other eligible items, and later submit a request for reimbursement from MCPS to cover the cost from allocated funds for the current fiscal year. Account 0060.0000, MCPS Reimbursement, was established in the chart of accounts to track these reimbursements. It is the responsibility of the financial agent to submit a request for reimbursement by the 10th day of the following month. We noted that your MCPS reimbursement account has a negative balance and you did not receive reimbursements for some of the expenditures from Fiscal Year (FY) 2022. We found that the financial specialist did not submit reimbursement requests on time causing the account to carry a negative balance. A thorough analysis was done and the financial agent was advised to make proper transfers from various accounts to cover the balance in the MCPS reimbursement account. It is further advised to review and reconcile this account on a monthly basis to avoid future delays in submitting for reimbursement.

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the financial specialist. 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). We found staff collecting funds were at times holding rather than remitting them timely to the financial specialist. Remittances received should, in turn, be promptly deposited into the school’s bank account. Large and infrequent deposits increase the possibility of loss of funds as well as decrease the school’s ability to fund activities. 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 financial specialist daily and promptly deposited (refer to the *MCPS Financial Manual*, Chapter 7, pages 4-5). In addition, all remittances on hand must be deposited before each weekend or holiday.

Notice of Findings and Recommendations

- Management of the IAF must be in accordance with good business practices.
- All voided receipts must be defaced and not reused.
- MCPS reimbursement request must be submitted timely.
- Cash and checks (funds) collected by sponsors must be promptly remitted to the school financial specialist.

- Cash and checks (funds) remitted by sponsors must be promptly receipted and deposited in the bank by the financial specialist 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 Mrs. Michelle E. Schultze, director of school support and well-being, Office of Student Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Mrs. Schultze 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 financial team to support you with developing a well-defined plan to address the findings.

MJB:BK:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. Hull

Dr. Murphy

Ms. Reuben

Mr. Stockton

Mrs. Williams

Mr. Moran

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Mrs. Schultze

Ms. Webb

Fiscal Management Action Plan

School: Wheaton High School

Principal: Dr. Joshua Munsey

Approved by community superintendent: Peter O. Moran

Date of approval: 3/10/23

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<ul style="list-style-type: none"> • Finding: Guidelines from Chapter 20 are not followed as expected. • Large number of transfers, voided checks, and receipts. It was found that receipts were voided in the SFO system however the receipt was reused and reentered. • Recommendations: Managing IAF through best practices outlined in Chapter 20. 	<ul style="list-style-type: none"> • SFS will mark all voided documents and retain them in the monthly files for future audit. • The SBA will work to set structures aligned with best practices. Daily, weekly, monthly workflow structures will be developed and implemented. • Financial Specialist. • SBA 	Immediately	<p>All voided documents will be defaced and file within the monthly reports. Workflow structures will show the elimination of errors.</p>
<ul style="list-style-type: none"> • Finding: MCPS reimbursement request not submitted in a timely fashion. • Recommendations: All MCPS requests for reimbursement must be submitted to Accounts Payable no later than the 10th of the next month. 	<ul style="list-style-type: none"> • Use calendar notifications as a workflow structure to stay on task and not miss deadlines. • Financial Specialist • SBA 	Immediately and On Going	<p>SFS will monitor dates and timelines required for submission of all MCPS reimbursements. SBA will review and monitor the timeliness of all MCPS reimbursements.</p>
<ul style="list-style-type: none"> • Cash and checks not always submitted to the finance office in a timely manner. • Recommendations: Retrain all sponsors on the need for daily deposits to the finance office. The finance office must deposit funds daily with the bank. 	<ul style="list-style-type: none"> • Request time during an upcoming staff meeting to retrain staff on proper cash handling. • Develop daily schedules to allow SFS to count funds, record deposits, and go to the bank. • Financial Specialist • SBA 	Immediately and On Going	<p>Cash and checks will be submitted the day the funds are collected. Bank deposits will state the same day funds are collected in the finance office.</p>

Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.