

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 20, 2023

MEMORANDUM

To: Dr. Debra K. Mugge, Acting 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, 2022, through October 31, 2023

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 December 11, 2023, meeting with you; Mrs. Sandra J. Spruill, school business administrator; and Mrs. Lillian Flores, school financial specialist, we reviewed the prior audit report dated January 6, 2023, and the status of the present conditions. It should be noted that your appointment as acting principal was effective August 16, 2023. 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. In the school's action plan they indicated that work flow structures would be established to eliminate errors. We found that staff did not always 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, account number errors, and other corrective transactions. We also noted frequent posting errors that resulted in frequent voided check and receipt transactions. Additionally, we found disbursements not always posted to the proper associated IAF accounts. Such commingling and posting errors render it difficult to evaluate the results of activities and may allow a loss to go undetected. We recommend that the school's accounts be brought into compliance with the latest chart of accounts, and that guidelines for uses of funds be reviewed. We also recommend that procedures are in place to ensure management of all IAF accounts are being properly recorded.

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. In the school's action plan they indicated that the school business administrator would monitor the timeliness of submissions for reimbursement. 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) 2023. We found that the financial specialist did not submit reimbursement requests on time causing the account to carry a negative balance, and at times posted expenditures and receipts to incorrect accounts. A thorough analysis was done and the financial agent was advised to make proper transfers from various accounts to cover the negative 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). In the school's action plan they indicated that all staff would remit funds daily and that the school financial specialist would be given time to go to the bank daily. We found sponsors held fees collected at times rather than remitting them to the financial specialist on a daily basis. We also noted that the financial specialist was not always making deposits on the last working day of each month and before each weekend or holiday. To minimize the risk of loss, all funds collected must be remitted daily and taken to the bank timely. We recommend staff be encouraged to submit cash and checks collected for IAF activities to the financial specialist for prompt deposit in accordance with MCPS policy and procedures.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms signed by the principal, and director, when required, must be retained. Field trip fees must be determined using the MCPS field trip calculator and be posted on School Cash Online (SCO) to provide the community the opportunity to pay online and reduce the risk of loss or theft by reducing the amount of cash/check handling within the school. No financial activity related to the field trip can occur prior to the field trip being approved. The financial specialist should establish a separate account in the IAF for each trip and create a field trip item in SCO. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and

submit the data to the financial specialist when a trip is completed (refer to the MCPS Financial Manual, Chapter 20, page 10). 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 most field trip sponsors failed to provide financial information to the school financial specialist at the conclusion of a trip, not all approval forms were approved prior to collection of fees, field trip fees were not always calculated properly and trips were not always added as a catalog item on SCO. We recommend all sponsors be required to follow the procedures outlined above and that they be provided more guidance by the business office in determining field trip fees, recording student payments and waivers, and approval process. All field trips must be made available on SCO for parents to pay by credit card.

Notice of Findings and Recommendations

- Management of the IAF must be in accordance with good business practices and transaction entry errors and corrections should be minimal (**repeat**).
- MCPS reimbursement request must be submitted timely and account reconciled each month (**repeat**).
- Cash and checks (funds) collected by sponsors must be promptly remitted to the school financial specialist and promptly receipted and deposited in the bank by the school financial specialist in accordance with Chapter 7 of the *MCPS Financial Manual* (**repeat**).
- Field trip records prepared by sponsors must provide comprehensive data to account for all eligible to participate, including volunteers and chaperones.
- Field trip planning should be reviewed to ensure the field trip fee is calculated properly, approvals are received prior to collection of fees and all approval forms are retained on file.

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. Joe L. Rubens Jr., 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, Dr. Rubens 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 financial specialist 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. McKnight

Dr. Collins

Mr. Hull

Dr. Kimball

Mrs. Williams

Dr. Moran

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Dr. Rubens

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 12/20/23	Fiscal Year: FY24
School or Office Name: Wheaton High School	Principal: Dr. Debra Mugge
OSSWB Associate Superintendent: Dr. Peter Moran	OSSWB Director: Dr. Joe Rubens
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>10/1/22-10/31/23</u>, strategic improvements are required in the following business processes :</p> <p>IAF errors, MCPS Reimbursements, Funds collection, Field Trip process</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
To correct transaction errors ,the finance office will develop a schedule to limit interruptions for one hour each day. This will alleviate errors and the need for corrections.	Financial Specialist		Weekly review of all correction entries through SFO. Follow up with any errors and request documentation to support the correction	School Business Administrator will monitor weekly.	Any errors and corrections will be held to a minimal level.
MCPS Reimbursements will be tracked monthly through the SFO account report and a spreadsheet. All reimbursements will be submitted by the 10th of each month. Once a reimbursement has been submitted to Accounts Payable, follow up will be completed to track outstanding reimbursements within 30 days.	School Business Administrator		Spreadsheet to be used as a monitoring tool. All outstanding balances should show zero balance within 30 days.	School Business Administrator will monitor monthly	All reimbursements will be cleared within 30 days.
Field trip planning and records will be redeveloped and shared with all staff to clarify expectation before, during, and after any field trip. The field trip planning packet will be reviewed for completion and accuracy prior to principal approval. Field Trip records will be reviewed throughout the field trip process to include all expected participants.	Financial Specialist and School Business Administrator		Updated Field trip packets will be used to review for accuracy. Planning expenses will be monitored to reflect all expected expenditures.	Financial Specialist and School Business Administrator	All funding sources will be reflected on planning packets and all participants will be accounted for before and after each field trip.
Retraining will be given to all sponsors on correct cash and deposit collections. Before any fundraising or field trip will be approved, all sponsors will complete a one on one expectations training. This will reiterate the need for daily cash collections and deposits.	Financial Specialist and School Business Administrator		A signed acknowledgment after one on one training will be used to support sponsors with expectations for daily cash and deposit procedures.	Financial Specialist and School Business Administrator	No late deposits and no overnight cash deposits will be evidence of the retraining offered.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved

Please revise and resubmit plan by _____

Comments:

Director: _____



Date: _____

2/14/24