


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 3, 2021

MEMORANDUM

To: Ms. Virginia A. De Los Santos, Principal
White Oak Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
May 1 2019, through August 31, 2021

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, 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 18, 2021, virtual meeting with you; and Mrs. Susan E. Krisch, school financial specialist, we reviewed the prior audit report dated June 27, 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

School Financial Training (SFT) Part I, is required for principals within their first year of assignment. Refresher training is recommended every three years because policies, regulations, procedures, and technology applications are continuously updated (refer to the *MCPS Financial Manual*, chapter, 1 page 10). We noted that you have not taken the refresher training since 2009. We recommended that you immediately sign up to take the refresher training.

The General Ledger Report must be prepared and given to you no later than the 20th day following the close of each month (refer to the *MCPS Financial Manual*, Chapter 20, page 12). Your review of these reports is critical to the management of the IAF so that sound business decisions can be made when requests for purchases are submitted. Your review of reports should alert you to large negative balances that continue to the end of the school year, and prompt you to take timely corrective action to eliminate the cause of such negative balances (refer to the *MCPS Financial Manual*, chapter 20, page 12). In your action plan, you indicated that accounts would be closely monitored and that transfers would be made at the end of each fiscal year to eliminate negative balances. We found many accounts continue to have negative balances, which were carried forward and continue to have a negative balance as of this report's end date. We also noted that as of October 13, 2021, the IAF checking and centralized investment fund (CIF) bank account combined balances of \$20,332.94 is below the balances of the fund's restricted accounts, including clubs, classes, and fund-raisers, of \$43,570.24 causing a negative cash position of (\$23,237.30). Your school does not have enough available resources to resolve all of your negative accounts. It is the responsibility of the principal to monitor all accounts and assess needs, determine priorities, and develop and monitor spending plans on a monthly basis. Beginning immediately, a detailed plan must be developed and implemented to improve your financial position.

MCPS invoices are not being paid on a timely basis. As of August 31, 2021, there were five unpaid invoices totaling \$1,893.65 that were more than 30 days past due. As a function of fiscal responsibility, it is important to process payments to vendors on a timely basis, which includes MCPS. This improves overall decision making related to the analysis of School Funds Online (SFO) accounts with up-to-date expenditure information.

Any goods or services procured from an MCPS employee, or from a business entity with an employee who has ownership in the business requires the Principal to obtain prior written authorization from the BOE Ethics officer (refer to the *MCPS Financial Manual*, chapter 20, page 6). We recommend acquiring the ethics officer's approval for the employee's business prior to any future purchases. If the ethics officer approves the business entity, MCPS form 280-49A, *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF)*, would be used to set the business up as a subcontractor. As a subcontractor, payroll taxes would not need to be paid, lowering the cost for goods purchased.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card User's 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 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 tenth of the following month, using the online reconciliation program. In your action plan, you indicated that signatures would be found on all cardholder's monthly reports filed in the financial office and the JP Morgan site would show both review and approval for all charges each month. We found that some cardholders had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation program. 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 school 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, pp. 4-5). We found that sponsors held funds collected, rather than remitting them to the school financial specialist on a daily basis. We also noted that the school financial specialist was not always making deposits on the same day that funds were received. To minimize the risk of loss, all funds collected must be remitted daily. We recommend staff be encouraged to submit cash and checks collected for IAF activities to the school financial specialist for prompt deposit in accordance with MCPS policies and procedures.

Fund-raising at the school must conform to the Guidelines for Sponsoring an Independent Activity Fund-Raiser. Each fund-raiser must be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund-raising activity must be recorded in a separate account in the 7000 series and a completion report prepared that analyzes the results (refer to the *MCPS Financial Manual*, chapter 20, page 13). We found not all sponsors were preparing fund-raiser request forms to obtain your approval prior to the start of an activity. We also noted that sponsors, school financial specialists, and the principal were not reviewing or signing a completion report when the fund-raiser was finalized. Furthermore, our review showed that a sponsor conducted an online fund-raiser and did not follow the procedures outlined in the September 14, 2017, memorandum from the deputy superintendent of school support and improvement, *Guidelines for Crowd-funding and Other Online Fund-raising* (see attachment). We recommend following these internal control procedures to provide for accountability of funds raised, as well as the opportunity to evaluate the results after the event.

Notice of Findings and Recommendations

- The principal must attend School Finance Training Part I.
- IAF must be managed to reduce and eliminate negative account balances (**repeat**).
- MCPS invoices must be paid promptly.
- Conducting business with an MCPS employee must be approved by an ethics officer.
- Purchase card transactions must be documented, reviewed, and approved by the principal, and the statement of account landscape report must be printed and provided to the principal with all purchase receipts and invoices (**repeat**).
- Funds collected by sponsors must be promptly remitted to the school financial specialist and promptly deposited.
- Fund-raiser requests must be approved by the principal prior to advertising or conducting the activity.
- Fund-raiser completion reports must be prepared by the sponsor for review by the principal.
- Fund-raising must conform to *Guidelines for Crowd-funding and Other Online Fund-raising*.

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. Mary Jane Q. Ennis, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Dr. Ennis 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 school financial specialist to support you with developing a well-defined plan to address the findings.

MJB:YSG:lsh

Attachments

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. D'Andrea

Ms. Dawson

Ms. Reuben

Mrs. Williams

Mrs. Morris

Mr. Reilly

Mrs. Chen

Dr. Ennis

Mr. Klausling

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: November 3, 2021	Fiscal Year: FY 2022
School: White Oak Middle School	Principal: Mrs. Virginia de los Santos
OTLS Associate Superintendent: Mrs. Diane Morris	OTLS Director: Dr. Jane Ennis / <i>Acting Michelle Schultae</i>
Strategic Improvement Focus: As noted in the financial audit for the period 5/1/2019-8/31/2021, strategic improvements are required in the following business processes :	

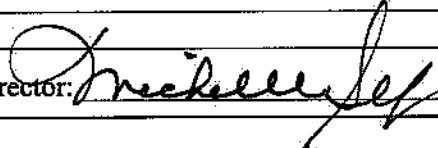
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
The principal must attend School Finance Training Part I	V. de los Santos	PDO course # 64336	PDO attendance verified		V. de los Santos completed required School Finance Training Part I on 11/18/21.
IAF must be managed to reduce and eliminate negative account balances.	V. de los Santos	MCPS Financial Manual, chapter 20, page 12, IAF Year-to-date	A detailed plan will be developed and implemented to improve financial position. Will continue to get permission from sponsors to increase this number. Will increase revenue through FR.	Principal and SFS/ ongoing	Reduced # of negative accounts and increased revenue can be verified in Year-to-date report, accounts with negative balance account to zero at this time is 8.
MCPS invoices must be paid promptly.	S. Krisch	DMM website	S. Krisch will log-in to iReceivables and print out a monthly statement at the beginning of each month. Will also work with HR, Danielle Wade, to resolve disputed overdue payroll invoice.	V. de los Santos/ monthly	iReceivables statements will show prompt payments. E-mails with D. Wade showing progress towards disputed invoice.
Conducting business with an MCPS employee must be approved by an ethics officer.	V. de los Santos/ S. Krisch	MCPS Financial Manual, chapter 20, page 6, Form 280-49A	We do not plan to pay any MCPS employees in the future, but should the need arise we will acquire the ethics officer, Ms. Robyn Seabrook, approval prior to work performed. Upon approval will submit Form 280-49A for approval and contractor set-up.	V. de los Santos/ S. Krisch/ ongoing	Each request will be analyzed and signed. Board ethics officer approval will be attached with 280-49A paperwork.
Purchase card	Card holders,	MCPS Purchasing	All cardholders will print and	V. de los	Folder with all reports

transactions must be documented, reviewed, and approved by the principal, and the statement of account landscape report must be printed and provided to the principal with all purchase receipts and invoices	V. de los Santos, N. Sutton	Card User's Guide, online help guides	submit a landscape report by the 5th of each month. S. Krisch will work with cardholders to help set up automatic landscape reports. The principal will review and sign all paper landscape reports before the 10th of the month. She will work with the Div of Controller office to get access for a delegated non-card holding staff person, Nakia Sutton-AP, to do the approval on the JP Morgan website after signature approval.	Santos, S. Krisch, N. Sutton - monthly	collected will show Principal's signed approval and JP Morgan site will show approval. Memo of Delegation of online approver will be available in file.
Funds collected by sponsors must be promptly remitted to the school financial specialist and promptly deposited.	S. Krisch/ sponsors	MCPS Financial Manual, chapter 7, pp. 4-5).	Details will be reviewed and shared with sponsors and others regarding the need for funds to be remitted promptly.	V. de los Santos/ ongoing	Document with e-mail or notation explaining extenuating circumstances of any remittance delays.
Fund-raiser requests must be approved by the principal prior to advertising or conducting the activity.	V. de los Santos, S. Krisch	FR request form in WOMS Google Shared doc	All FR requests including any principal's FRs will be collected for approval prior to advertising or conducting the activity.	V. de los Santos, S. Krisch/ ongoing	Proper approval for FR requests will be collected and can be found in the FR binder.
Fund-raiser completion reports must be prepared by the sponsor for review by the principal.	S. Krisch/ FR sponsors.	Fundraiser Completion Report in WOMS Google shared doc	All signed FR completion reports will be collected in a timely manner for principals review.	V. de los Santos/ ongoing	All collected & signed & reviewed FR completion reports will be found in the FR binder.
Fund-raising must conform to Guidelines for Crowd-funding and Other Online Fund-raising	S. Krisch/ FR sponsors	Memo regarding Guidelines for Crowd-funding and other online Fundraising added in WOMS Google shared doc	We will obtain details from vendors of FR like SNAP to attach to FR requests in addition to payment details when FR finishes. Staff and sponsors will be informed of the Guidelines for Crowd-funding and other online Fund-raising through Google Shared documents.	V. de los Santos/ ongoing	Crowd-funding or other online Fund-raising requests/approval can be found in the FR binder including documentation.

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

Approved Please revise and resubmit plan by _____

Comments:

Director:  _____ Date: 12-15-21