


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

April 11, 2022

MEMORANDUM

To: Ms. Nichola A. Wallen, Principal
Wyngate Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
August 1, 2019, through January 31, 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 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 April 1, 2022, meeting with you; Mrs. Sara R. Ovalles, school administrative secretary (secretary); and Ms. Susan Baumgardner, school visiting bookkeeper, we reviewed the prior audit report dated October 2, 2019, and the status of the present conditions. It should be noted that Mrs. Ovalles' assignment as secretary was effective on April 12, 2021, and Ms. Wallen's appointment as principal was effective July 28, 2021. 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

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, page 5). We noted that sponsors continue to hold fees collected rather than remitting them to the secretary on a daily basis. We also noted that the secretary is 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. We recommend that staff be encouraged to submit cash and checks collected for IAF activities to the secretary for prompt deposit in accordance with the MCPS policy and procedures.

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). There also is a requirement for adequate documentation to support the procurement of the goods and services, such as an original invoice, or itemized receipt. Invoices for goods or services must indicate all items are satisfactorily “received”, and marked as “paid” (refer to the *MCPS Financial Manual*, chapter 20, page 6). In our sample of disbursements, we found that prior approval was not consistently obtained, adequate support was missing for many of our samples, and many of the records selected could not be located. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditures and signed by the principal at the time verbal approval is sought. We also recommend that all disbursement records be kept on hand for review by audit.

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 10th of the following month, using the online reconciliation program. We found that 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.

Sponsors of field trips must have a complete class or club roster of student names to annotate the amount each student paid, date paid, eligible students who did not participate in the trip, and students who received waivers, scholarships, or reduced fees. This data, together with a list of all chaperones and volunteers, must be provided to the secretary at the completion of each trip and reconciled by the secretary to remittances recorded in the trip account history report (refer to the *MCPS Financial Manual*, chapter 20, page 10). We noted that the field trip files were moved to a storage room and we were unable to locate the files for the trips that took place during our audit period. We recommend you to keep all financial records in a secure location until audited.

Notice of Findings and Recommendations

- Cash and checks (funds) collected by sponsors must be promptly remitted to the secretary and in turn, promptly receipted and deposited in the bank (**repeat**).
- Purchase documentation must be adequate to support disbursements and kept on file.
- Purchase card activity must comply with the *MCPS Purchasing Card User’s Guide*.

- IAF activities must be managed in accordance with effective internal control procedures that include safeguarding financial records such as field trips, until required audits are completed.

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. Rotunda Floyd-Cooper, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Dr. Floyd-Cooper 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:BK:lsh

Attachment

Copy to:

Members of the Board of Education
Dr. McKnight
Mr. D'Andrea
Dr. Dawson
Ms. Reuben
Mrs. Williams
Mr. Koutsos
Mr. Reilly
Mrs. Chen
Mrs. Eader
Dr. Floyd-Cooper
Mr. Klausling
Mrs. Ripoli
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:	Fiscal Year:
School:	Principal:
OTLS Associate Superintendent:	OTLS Director:
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period _____, 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

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

OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL	
<input type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director: <u>Rotunda Floyd-Cooper</u>	Date: _____