


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 12, 2024

MEMORANDUM

To: Mr. Steven (Peter) Young II, Principal
Wyngate Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
February 1, 2022, through December 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 January 26, 2024, meeting with you and Ms. Angela M. Collins, school administrative secretary (secretary), we reviewed the prior audit report dated April 11, 2022, and the status of the present conditions. It should be noted that your appointment as principal was effective July 1, 2023, and your secretary's assignment was effective February 6, 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

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 9). We noted that you have not taken the SFT Part I since being assigned as a principal. We recommended that you sign up to take SFT Part I immediately.

Sponsors of school activities which involve the collection or disbursement of IAF must be provided an account history report for each month in which transactions have been recorded in their accounts and be required to verify that transactions have been correctly recorded. We noted that the previous secretary did not always provide account history reports to the sponsors. The school must prepare and deliver the monthly account history reports to the sponsors, and sponsors must review and resolve any discrepancies in their accounts and return the signed statements to the secretary who will file them for review by the Internal Audit Unit (refer to the *MCPS Financial Manual*, chapter 20, page 9).

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 the action plan prepared by the prior principal it was indicated that all purchases would be preapproved, and that documentation would be stamped paid, marked received, and kept in a file. 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 instances in which controls over purchases were weakened including documentation supporting purchases were missing, not stamped or marked “paid”, and invoices and online purchase confirmations were not always signed by the receiver to indicate goods or services were received, and that payment could be processed. 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. We also recommend that all support documents be marked paid, and when goods are received at the school that the purchase be verified as complete by the recipient and that the invoice/packing slip be marked “received” and signed/dated by the recipient. Requiring invoices to be marked “received” ensures that goods or services have been satisfactorily received prior to payment.

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 the action plan prepared by the prior principal it was indicated that cardholders would provide a statement to the principal by the 5th of each month, and review transactions in the online system. We found that one cardholder had not promptly prepared their monthly statements, provided description of items purchased, indicated an IAF account number when required, attached 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.

Admission receipts for events must be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. Admission event controls include serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and a perpetual inventory of tickets. We found ticket sales for a spring musical were recorded in a club account, funds were held for several days, and there was no perpetual inventory of MCPS tickets. We also noted that MCPS Form 280-50 was not completed to reconcile tickets issued with tickets returned and sales receipts. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events, and that all tickets be serially numbered and recorded on MCPS form 280-50. We also recommend that funds are remitted daily and that a perpetual inventory is maintained.

Notice of Findings and Recommendations

- Principal must attend School Finance Training Part I in the first year of a principalship and then once every three years.
- Sponsors of school activities must be provided monthly account history reports and certify their accuracy.
- All IAF disbursements, including iPayments, must have adequate documentation and be preapproved by the principal using MCPS form 280-54 (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement and receipts must be annotated as paid (**repeat**).
- Purchase card activity must comply with the MCPS Purchasing Card User's Guide (**repeat**).
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

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. Michael (Mike) Zarchin, 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. Zarchin 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 secretary to support you with developing a well-defined plan to address the findings.

MJB:PJM:rg

Attachment

Copy to:

Members of the Board of Education

Dr. Felder

Dr. Collins

Mr. Hull

Mrs. Williams

Mr. Adams

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Dr. Zarchin

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 03/12/2024	Fiscal Year: Feb. 22 - December 23
School or Office Name: Wyngate ES	Principal: S. Peter Young II
OSSWB Associate Superintendent: David Adams	OSSWB Director: Dr. M. Zarchin
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>2/2022 - 12/2023</u>, 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
The financial agent will provide each sponsor a report for each month in which any transaction was recorded that sponsor IAF account of the account has a balance. The sponsor will verify the report to ensure the correct total of all remittances submitted were credited to the account, including disbursements and transfers.	School Staff Ms. Collins Admin Secretary Mr. Young II Principal	MCPS Financial Manual P.20-10	Receipts Bank Deposit	Mr. Young II, Principal School Visiting Bookkeeper	All funds collected must be remitted daily to secretary for prompt deposit
The financial reports shall consist of a series of reports and the files of supporting documents. Financial reports must be kept up to date at all times and are subject to inspection by auditors or SFOT at any time. Documents supporting the IAF reports are part of the financial records and should be maintained in the school.	Ms. Collins Admin Secretary Mr. Young II Principal	MCPS Financial Manual p 20-	Bank receipts	Mr. Young II, School Visiting Bookkeeper	Receipts and disbursements should be filed chronologically. Supporting documents includes bank statements, contracts, purchases and returns
All cardholders are required to reconcile each transaction using the Online reconciliation program (PaymentNet), print the required reports, attach receipts to their reports, send the reports with receipts to their approving official.	Ms. Collins Admin Secretary Mr. Young II Principal	P-Card User Guide p.2	JP Morgan (JPM) Online-reconciliation program monthly statement with purchase receipts and invoice attached.	Mr. Young II, School Visiting Bookkeeper	Identify, describe and review transactions by the fifth of each month
All fundraisers should be approved in writing by Principal. Athletic and non athletic admissions events that generate receipts shall be controlled in accordance with MCPS regulation DMB-RA. Control of admission receipts.	Ms. Collins Admin Secretary Mr. Young II Principal	MCPS Financial Manual P. 20 13-14	Requests should be submitted to the Principal for prior approval	Mr. Young II, School Visiting Bookkeeper.	This process provides internal controls through such as the use of serial numbered tickets, separation of duties a report of admissions manager

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OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved Please revise and resubmit plan by _____

Comments:

Director: 

Date: 4-11-24