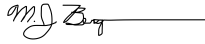


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

March 9, 2021

MEMORANDUM

To: Mr. Emmanuel J. Jean-Philippe, Principal
Arcola Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2017, through December 31, 2020

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 February 23, 2021, virtual meeting with you; Ms. Yesenia N. Turcios, school administrative secretary (secretary); and Mrs. Debra L. Taylor-Miller, visiting bookkeeper, we reviewed the prior audit report dated April 24, 2017, 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. It should be noted that Ms. Turcios' assignment was effective January 22, 2019.

Findings and Recommendations

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 in order 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. A check, generated from the accounting software program, may then be drawn and it must bear two signatures, one of which is that of the principal or acting principal. The secretary will mark the documentation as “paid.” In your previous action plan, you had indicated that when verbal approval was sought, MCPS Form 280-54 would be prepared. You also indicated that all invoices/receipts would be stamped paid and invoices would be signed and dated by the receiver. In our sample of disbursements, we found instances in which MCPS Form 280-54 was not signed by the principal in advance of purchase, documentation supporting purchases was not stamped or marked “paid,” and documentation was not annotated by recipient to indicate purchased goods or services were satisfactorily received. We also found that a few checks had been handwritten and a few checks had been signed only by the assistant principal. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAFs. We recommend that MCPS Form 280-54 be prepared, with an estimate by staff and signed by you, at the time verbal approval is sought and that complete documentation be attached to fully explain the reason for the purchase. All invoices must be marked to indicate items were received and documentation stamped “paid”. Also, all checks must bear two signatures, one of which is that of the principal and there should not be any handwritten checks.

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. The principal's card transactions are to be reviewed and approved by the respective director of learning, achievement, and administration, Office of Teaching, Learning, and Schools. 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.

Per the MCPS *Purchasing Card User's Guide*, page 1, there are permitted items and items excluded from the purchase card program. We found weaknesses in the use of MCPS purchase cards. We noted instances in which cards were used to purchase items excluded from the purchase card program. We recommend that action be taken to correct this condition and bring purchasing card usage into conformity with MCPS requirements.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with MCPS Form 280-34, *Remittance Slip*, to the secretary on the day the funds are received. In your previous action plan, you had indicated that cash would be submitted by sponsors

on a daily basis. We found that field trip sponsors continue to hold fees collected rather than remitting them to the secretary on a daily basis. To minimize the risk of loss, all funds collected must be remitted daily. We recommend that staff be reminded to submit cash and checks collected for IAF activities to the secretary for prompt deposit in accordance with MCPS policy and procedures.

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchase documentation must be stamped “paid” to indicate disbursement was made (**repeat**).
- School must improve check writing process to ensure no checks are handwritten, all checks bear two signatures, and one of the signatures is principal’s signature.
- Purchase card activity must comply with the MCPS Purchasing Card User’s Guide.
- Purchasing card cardholders must only use cards on permitted items.
- Funds collected by sponsors must be promptly remitted to the secretary (**repeat**).

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. Sarah E. Sirgo, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Dr. Sirgo 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:HT:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Ms. Stratman

Dr. Wilson

Mrs. Williams

Mrs. Dyson

Mrs. Chen
Mr. Klausing
Mr. Marella
Mr. Reilly
Dr. Sirgo

Mr. Tallur
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> <i>Sarah Sirgo</i> </u>	Date: _____