


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 21, 2023

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
January 1, 2021, through August 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 October 30, 2023, meeting with you, and Mrs. Yesenia N. Turcios, school administrative secretary (secretary), we reviewed the prior audit report dated March 9, 2021, 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

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain the principal's approval to proceed with an intended purchase. After acquisition, the purchaser must submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the secretary. Upon disbursement, the documentation is to be stamped or marked "paid" to preclude duplicate payment (refer to the *MCPS Financial Manual*,

chapter 20, page 6). In your action plan, you indicated that all purchases would be preapproved, documents would be stamped paid and all invoice would be marked as received. In our sample of disbursements, we noted instances in which invoices were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received. We recommend that 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 sign/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 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, or the statement of account landscape report, must be printed and provided to the approver, with all purchase receipts and invoices attached. The approver must review each cardholder’s transactions and approve them by the 10th of the following month, using the online reconciliation program. The principal’s card transactions are to be reviewed and approved by the director of school support and well-being, Office of School Support and Well-Being. In our sample of the principal’s purchasing card transactions, we noted that since the school did not send the monthly Statement of Account Landscape, with receipts attached to the director’s office, the principal’s transactions have not been approved in the online reconciliation program. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities must be remitted promptly and intact to the secretary along with a remittance slip. Cash must be counted in the presence of the remitter, and a receipt that is supported by the remittance slip must be issued promptly. 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 your action plan, you indicated that deposits would be received daily and verified, and that bank deposits would be made each day. In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and give the sealed envelope to an administrator to secure in the business office safe. Verification of these funds must be conducted in the presence of the remitter or another staff member by the next business day. In our sample of receipts, we found instances in which funds were held by sponsors rather than being remitted on a daily basis to the secretary, and they were not always promptly deposited into the school’s bank account. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected must be remitted daily 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.

Notice of Findings and Recommendations

- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).

- Purchase card transactions of the principal must be reviewed and approved by the respective director of school support and well-being, Office of School Support and Well-Being.
- Cash and checks (funds) collected by sponsors must be promptly remitted to the secretary and deposited in the bank timely always by the end of the month and before each weekend or holiday (**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 Mr. Gregory C. Mullenholz, director of school support and well-being, Office of Student Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Mr. Mullenholz 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 administrative secretary to support you with developing a well-defined plan to address the findings.

MJB:AMB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Dr. Collins

Mr. Hull

Dr. Kimball

Mr. Stockton

Mrs. Williams

Ms. Dempsey

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mr. Mullenholz

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY 24	Fiscal Year: FY 24
School: Arcola ES - 790	Principal: Emmanuel Jean-Philippe
OTLS Associate Superintendent: Lance Dempsey	OTLS Director: Greg Mullenholz
Strategic Improvement Focus: As noted in the financial audit for the period <u>1/1/21-8/31/23</u> , 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
Purchase card transactions of the principal must be reviewed and approved by the respective director of school support and well-being, Office of School Support and Well Being. Monthly reporting tool will be submitted to OSSWB.	Administrator Administrative Secretary	Training	Monthly Finance Meeting Checklist, Admin Items meetings	Principal and Administrative Secretary will review JP morgan status monthly during.	Purchase card will be used in accordance with MCPS Purchasing Card User Guide regulation.
Purchaser must confirm receipt of goods or services prior to disbursement. Before reimbursement, secretary will make sure that the receipt/invoice is signed and dated acknowledging receipt of items.	School Staff	Admin Secretary Administrator	Monthly Finance Meeting Checklist, B	Admin Secretary Receipt will be returned for for acknowledgement of receipt of items.	No staff will be reimbursed unless this acknowledgment is notated.
Cash and Checks(funds) collected by sponsors must be promptly remitted to the secretary and deposited in the bank timely always by the end of the month and before each weekend or holiday. Administrative Secretary will provide training to staff during a pre-service meeting.	Administrative Secretary School Staff	Remittance From	Monthly Finance Meeting Checklist	Administrative Secretary, Book Keeper	Adherence to MCPS policies and guidelines when collecting and depositing of funds

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

Approved
 Please revise and resubmit plan by _____

Comments:

Director:  _____ Date: 12/21/23