

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

September 12, 2022

MEMORANDUM

To: Mrs. Monique J. Reese, Acting Principal
Ashburton Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2019, through June 30, 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, 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 September 7, 2022, meeting with you and Mrs. Marjorie (Marney) Jacobs, school administrative secretary (secretary), we reviewed the prior audit report dated June 13, 2019, and the status of the present conditions. It should be noted that your appointment as acting principal was effective August 1, 2022. 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

Once a check or receipt has been written, it shall not be erased or altered. If an error is discovered, the check or receipt must be marked "void" and a replacement issued. Any misprinted checks or receipts must be entered into the accounting system, and all three parts of the voided checks and both parts of any voided receipt must be defaced and retained (refer to the *MCPS Financial Manual*, chapter 7, page 4, and chapter 20, page 6). During our audit we found that not all checks were entered into the accounting system, that checks and receipts were sometimes printed on the

wrong numbered check/receipt stock, or blank paper, and that when an error was discovered the checks and receipts were not marked “void” to deface. In your action plan, you indicated that checks and receipts would be voided, if needed, and recorded into the accounting system and that care would be taken to match receipt accounting system stock and check numbers. We recommend that when an error occurs while printing, or when checks or receipts need to be voided, that the secretary void both in the accounting system and on the stock. After voiding or entering the manual receipt, such as for an Online School Payments (OSP), the accounting system number should be verified against the stock to ensure that they match. Checks and cash receipts written in error must be properly voided. Voided check and receipts are recommended to be filed in one folder for each fiscal year.

All disbursements from a school’s IAF, except those made from a school’s petty cash fund, will be made by check or Automated Clearing House (ACH) drawn on the school’s IAF bank account. Regardless of the documentation that approved the procurement of goods and services, all disbursements from a school’s IAF, other than for petty cash items, will be approved by the principal using MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, prior to expenditure of funds. Disbursements made by ACH with multiple IAF accounts to be charged, such as MCPS iPayments, are to include a summary spreadsheet detailing the IAF account(s) to be charged with the MCPS Form 280-54 approved by the principal. In our sample of disbursements, we found prior approval was not consistently obtained and MCPS Form 280-54 was not being prepared when paying MCPS iPayments. By requiring prior approval, the principal retains control over the expenditure of IAFs. 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 MCPS Form 280-54 be prepared prior to paying MCPS invoices in iPayment.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund-raiser*. We found that there was a lack of adherence to these guidelines and that sponsors were not preparing a fund-raiser request form to obtain principal approval prior to the start of an activity. We also noted that sponsors were not submitting a completion report when the fund raiser was finalized, and the secretary was not always closing the account upon completion. Following these internal control procedures provides for accountability of funds-raised, as well as the opportunity to evaluate the results at the conclusion of the event. 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, a completion report prepared that analyzes the results, and closed upon completion (refer to the *MCPS Financial Manual*, chapter 20, page 13).

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Other Student Organization Trips*. Trip approval forms, signed by the principal, must contain all expense information, any subsidy information, and the field trip cost to be charged per student. Sponsors of field trips must have a complete class or club roster of student names and annotate how much each student paid by cash, check or online, date paid, students who did not participate in the field 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 compared to remittances recorded in the trip account history report (refer to the *MCPS Financial Manual*, chapter 20, page 10). We found that not all trips had approvals on file, sponsors were not always providing completed data at the conclusion of each trip, and that data was not being compared to the final account history report. We recommend that all sponsors be required to use MCPS Form 280-41: *Field Trip Accounting*, or equivalent, and follow the procedures outlined above. In addition, we recommend that the secretary complete a reconciliation of field trip activity as soon as the final comprehensive data is received from the sponsor.

Notice of Findings and Recommendations

- IAF must be managed in accordance with sound accounting practices and effective internal control procedures which includes entering all checks and receipts into the accounting program and when check/receipts are voided they must be defaced and retained (**repeat**).
- All check disbursements must be documented using MCPS Form 280-54.
- Purchase requests must be approved by the principal prior to procurement.
- Fund-raisers 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 and closed upon completion.
- Field trip request for approval forms must be signed and dated by the principal.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and the secretary must reconcile funds collected with account history report.

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. David Adams, 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. Adams 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:YSG:lsh
Attachment

Copy to:
Members of the Board of Education

Dr. McKnight
Mr. Hull
Dr. Murphy
Ms. Reuben
Mr. Stockton
Mrs. Williams
Dr. Floyd-Cooper
Mr. Reilly
Mr. Adams
Mrs. Chen
Ms. Eader
Mr. Klausling
Mrs. Ripoli
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:	Fiscal Year:
School:	Principal:
OSSWB Associate Superintendent:	OSSWB 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 SCHOOL SUPPORT AND WELL-BEING (OSSWB)	
<input type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director: <i>David W. Adams</i>	Date: _____