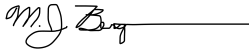


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 8, 2021

MEMORANDUM

To: Mrs. Kathryn D. Bradley, Principal
Bannockburn Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2018, through September 30, 2021

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 November 29, 2021, meeting with you; and Ms. Carol L. Lange, school administrative secretary (secretary); and Ms. Debra Taylor-Miller, school visiting bookkeeper, we reviewed the prior audit report dated December 26, 2018, 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

School Financial Training (SFT) Part I, is required for principals within their first year of assignment. It is recommended that the training is retaken every three years because policies, regulations, procedures, and technology applications are continuously updated (refer to the *MCPS Financial Manual*, chapter 1, page 10). We noted that you have not taken the training since 2016. We recommended that you immediately sign up to take SFT.

Documents supporting the IAF reports are part of the financial records and must be maintained in the school office and filed logically to be readily available for audit or other purposes. IAF records shall be retained for five years after the close of the year to which they apply and until all audit requirements have been met, whichever is longer, and then destroyed (refer to the *MCPS Financial Manual*, chapter 20, page 16). Our review disclosed that many financial records were misfiled and not available for reviews, such as bank statements, bank deposit slips, bank reconciliations, year-to-date reports, sponsor account monthly reports, deposit analysis, remittance slips, canceled check copies, and voided receipts. We recommend that IAF records be properly filed and retained to be available for audit.

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, the monthly bank reconciliation report, and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date (refer to the *MCPS Financial Manual*, chapter 20, page 9). Although these reports were prepared monthly by the school's visiting bookkeeper, reconciliation reports for several months during the audit period could not be located. We found that the principal had not always signed and dated the bank statement prior to the visiting bookkeeper completing the reconciliation. Also, the monthly bank reconciliation and ledger reports were not consistently signed by the principal to indicate review. We recommend that you initiate a process that ensures adequate maintenance and retention of monthly reconciliation reports in the IAF financial records.

Sponsors of school activities that 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 account or the account has a balance. We found this essential internal control procedure was not always being used. We recommend sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the statements must be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all statements are reviewed and returned (refer to the *MCPS Financial Manual*, chapter 20, page 10).

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. Upon issuance of a check, the secretary will mark the documentation as "paid" to preclude duplicate payment. In your action plan, you indicated that staff would be educated on the proper procedure of requesting reimbursement for purchases a minimum of three times a year and that the secretary and you would review purchases on the last Thursday of each month. In our sample of disbursements, we found that on several occasions, MCPS Form 280-54 was not signed at all by the principal for approval and at times, when the form was signed by the principal, it was signed after the invoice/order/sale date. On several occasions, MCPS Form 280-54 was not signed at all by the sponsor/requester. Also, supporting documentation was not always stamped or marked "paid," and documentation was not annotated by the recipient to indicate purchased goods or services were satisfactorily received. 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 by staff with an estimate, and signed by the principal, at the time verbal approval is sought. Complete documentation must be attached to fully explain the reason for the purchase. All invoices must be marked to indicate items were received and documentation stamped "paid".

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. We found that you were the only staff member making purchases on the school's JP Morgan credit card and had not promptly reviewed the transactions in the online reconciliation program. We found no evidence that your statement of account landscape, with receipts attached, had been sent to your director for approval. We recommend that your secretary start to make school purchases with the school's JP Morgan credit card issued to her and you approve these transactions in the online reconciliation program. We also recommend that action be taken to bring purchasing card usage into conformity with MCPS requirements.

During our review of receipts, we noted that funds collected by the media center and for staff social dues were remitted to the secretary, but were not accompanied by a remittance slip. MCPS Form 280-34, *Remittance Slip*, is required because it identifies the source and the purpose of remittances and helps ensure that funds collected have been properly authorized. We recommend staff be required to prepare and submit this form with each remittance.

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, pages. 4-5). We found that sponsors held funds collected, rather than remitting them to the secretary on a daily basis. We also noted that the secretary was not always making deposits on the same day that funds were receipted. In your action plan, you indicated that staff would be educated on the timeline expectations for submitting funds a minimum of three times a year and that your secretary would make daily deposits and monitor the timeline of remittance. You also indicated that if sponsors fail to follow protocol, the principal would be informed and the sponsor would be counseled or disciplinary action would be taken, if necessary. To minimize the risk of loss, all funds collected must be remitted daily. We recommend staff be encouraged to submit cash and checks collected for IAF activities to the secretary for prompt deposit in accordance with MCPS policies and procedures.

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 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 sponsors were providing completed data at the conclusion of each trip and that data was not being reconciled to the final account history report. All sponsors must be required to use MCPS Form 280-41, *Field Trip Accounting*, or equivalent. We recommend that trip sponsors be required to provide complete data at the conclusion of each trip, and this data be reconciled by the secretary with remittances recorded in activity accounts.

Notice of Findings and Recommendations

- The principal must attend SFT.
- The IAF must be managed in accordance with sound accounting practices and effective internal controls that include safeguarding financial records until required audits are completed.
- Monthly bank statements, bank reconciliations, and ledger reports must be signed and dated by the principal in a timely manner.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the secretary.
- 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 invoices and receipts must be annotated as paid to indicate disbursement was made.
- Purchase card transactions of the principal must be reviewed and approved by the respective director of learning, achievement, and administration, Office of Teaching, Learning, and Schools (OTLS).
- MCPS Forms 280-54, and any other source documentation, must accompany every remittance and be filed (in accordance with Chapter 7 of the *MCPS Financial Manual*).
- Funds collected by sponsors must be promptly remitted to the secretary (**repeat**).
- Funds remitted by sponsors must be promptly receipted and deposited in the bank by the secretary.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and the administrative secretary must reconcile funds collected with account history report (**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. Donna Redmond Jones, director of learning, achievement, and administration, OTLS, for written approval of your plan. Based on the audit recommendations, Dr. Redmond Jones 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

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. D'Andrea

Dr. Dawson

Ms. Reuben

Mrs. Williams

Dr. Dyson

Mr. Reilly

Mrs. Chen

Mrs. Eader

Mr. Klausning

Dr. Redmond Jones

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: _____ <i>Donna Richmond Jones</i>	Date: _____