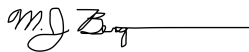


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

June 8, 2021

MEMORANDUM

To: Dr. Stacy L. Smith, Principal  
Bells Mill Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
March 1, 2018, through March 31, 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 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 June 3, 2021, meeting with you, and Mrs. Laurene M. Over, school administrative secretary (secretary), we reviewed the prior audit report dated May 1, 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. It should be noted that your appointment as principal was effective July 1, 2020.

Findings and Recommendations

Reconciliation of the school's monthly bank checking account statement must be completed by a person independent of daily accounting transaction input. Monthly reports, including the bank reconciliation, are to be presented to the principal no later than the 20th of the month following

the close of the month of record. The principal shall review these reports, sign, and date them to indicate this review, and return them to the secretary to be filed with other monthly reports (refer to the *MCPS Financial Manual*, chapter 20, page 9). We found that bank reconciliations were not always completed timely. In addition, other monthly reports were not consistently signed and dated by the 20th of the following month and Automated Clearing House (ACH) transactions were not posted to the checking account timely. Delay in recording transactions significantly increases the likelihood of error, loss of information, and loss of funds. We recommend that all ACH transactions be posted timely and that your visiting bookkeeper complete the bank reconciliation no later than the 20th of the following month.

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 accounts, or accounts have a balance. We found this essential internal control procedure was not being used. We recommend sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the accounts 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).

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 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. We found that cardholders had not promptly prepared their monthly statements, provided the description of items purchased, indicated 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.

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. We found that not all sponsors are providing completed data at the conclusion of each trip, field trip fees were not always being remitted in a timely manner, and that data is not being compared to the final account history report. All sponsors must be required to use MCPS Form 280-4, *Field Trip Accounting*, or equivalent, and all fees collected must be remitted daily to the secretary for prompt deposit. 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 inactivity accounts.

Each year, the Office of Finance (OOF) issues a memorandum providing information related to the process for planning and approval of academic local revenue-based summer school programs (LSPs). All funds collected from students for LSPs must be remitted to MCPS and all expenses must be paid through MCPS. LSPs are designed to be self-supporting with student registration fees sufficient to cover all operational and administrative expenses. We noted many weaknesses in your program such as the collection of funds prior to the plan being approved and not all fees collected were remitted to MCPS. We recommend that all fees that have been collected after the initial revenue transmittal was sent to MCPS, be remitted immediately. We also recommend that you follow all the guidelines for summer camps/programs as outlined in the attached OOF memorandum.

#### Notice of Findings and Recommendations

- Monthly bank reconciliations and reports must be signed and dated by the principal and completed on a timely basis.
- Accounting transactions must be entered in a timely manner.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the secretary.
- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide*.
- 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 an account history report.
- Cash and checks (funds) collected by sponsors for field trips must be promptly remitted to the secretary.
- LSPs must comply with the guidelines outlined in the annual memorandum from OOF.

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. Peter O. Moran, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Dr. Moran 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:GWB:lsh

Attachments

Copy to:

Members of the Board of Education

Dr. McKnight

Mrs. Ferrell

Dr. Wilson

Mrs. Williams

Mrs. Dyson

Mrs. Chen

Mr. Klausing

Mr. Marella

Dr. Moran

Mr. Reilly

Mr. Tallur

Ms. Webb

**FINANCIAL MANAGEMENT ACTION PLAN**

<b>Report Date:</b>	<b>Fiscal Year:</b>
<b>School:</b>	<b>Principal:</b>
<b>OTLS Associate Superintendent:</b>	<b>OTLS Director:</b>
<p><b><u>Strategic Improvement Focus:</u></b>          As noted in the financial audit for the period _____, strategic improvements are required in the following business processes :</p>	

<b>Action Steps</b>	<b>Person(s) Responsible</b>	<b>Resources Needed</b>	<b>Monitoring Tools / Data Points</b>	<b>Monitoring: Who &amp; When</b>	<b>Results/Evidence</b>

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"/> <b>Approved</b>	<input type="checkbox"/> <b>Please revise and resubmit plan by</b> _____
Comments: _____ _____	
Director: <u>    <i>Peter O. Moran</i>    </u> <small>ovz</small>	Date: _____