


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

July 29, 2020

MEMORANDUM

To: Mrs. Jolynn E. Tarwater, Principal
Brooke Grove Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2017, through January 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 July 13, 2020, virtual meeting with you and Mrs. Tammy Hertel, school administrative secretary, we reviewed the prior audit report dated January 26, 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.

Findings and Recommendations

In order to properly control receipts, cash, and checks collected by IAF sponsors for activities should be remitted promptly, and with full documentation, to the school administrative secretary together with MCPS form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, which identifies the source of the funds. After the sum of the remittance is verified, a receipt should be issued to the purchaser. Daily receipts should be promptly deposited to the schools checking

account. Records of remittances, receipts, and deposits, including a deposit analysis form prepared by the accounting software should be assembled and filed in accordance with MCPS procedures. We found that not all sponsors were promptly remitting fees and other funds collected, and that records were not in compliance with MCPS Financial Manual requirements. To minimize the risk of loss and provide availability of funds to meet school needs, all funds collected must be remitted daily for prompt deposit to the school administrative secretary and that documentation must be assembled and filed in accordance with MCPS procedures (refer to the *MCPS Financial Manual*, chapter 7, page 4).

Aggregate school expenditures of general funds for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per individual staff member, per fiscal year, without the prior written authorization from the associate superintendent of finance (ASF) (refer to the *MCPS Financial Manual*, chapter 20, page 5). These expenditures must be appropriately recorded in accordance with the IAF chart of accounts. We found that you exceeded the total amount allowed in Fiscal Years 2017, 2018, and 2019 without approval of the ASF and that expenditures for these items in the current year are nearing the limit. We recommend you closely monitor these expenditures and seek the necessary approval if you need to exceed the limits.

Notice of Findings and Recommendations

- Funds collected by sponsors must be promptly remitted to the school administrative secretary (**repeat**).
- Staff appreciation and meeting refreshment combined total expenditures may not exceed \$60 per staff member, per fiscal year, without prior approval of the ASF (**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 form, 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. Eric A. Wilson, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools. Based on the audit recommendations, Mr. Wilson 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:RCM:lsh

Attachment

Copy to:

Members of the Board of Education
Dr. Smith

Dr. McKnight
Dr. Johnson
Dr. Wilson
Mrs. Ahn
Mr. Koutsos
Mrs. Camp
Mrs. Chen
Mr. Marella
Mr. Reilly
Mr. Tallur
Mr. Wilson
Ms. Webb