


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

May 10, 2022

MEMORANDUM

To: Dr. Stacy A. Ashton, Principal
Burnt Mills Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the
Period March 1, 2019, through February 28, 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, 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 April 28, 2022, meeting with you; Ms. Belinda A. Cervas, school administrative secretary (secretary); and Ms. Monika Roberts, school visiting bookkeeper, we reviewed the prior audit report dated April 5, 2019, and the status of the present conditions. It should be noted that Ms. Cervas' assignment as secretary was effective on October 4, 2021. 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. Refresher training is recommended every three years because policies, regulations, procedures, and technology applications are continuously updated (refer to the *MCPS Financial Manual*, chapter 1, page 7). We noted that you have not taken the SFT Part I since 2009. We recommend that you sign up immediately to take the SFT Part I.

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 by the previous secretary and not available for review. We recommend that the 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. A 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). We found that the you had not always signed and dated the bank statement, and at times did not sign and date prior to the visiting bookkeeper completing the reconciliation. We also noted the monthly bank reconciliation and ledger reports were not consistently signed by you to indicate review. We recommend that you initiate a process that ensures adequate review and maintenance of monthly financial reports of 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 being used. We recommend that 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 must 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. Disbursements made by Automatic Clearing House (ACH) drawn on the school's IAF bank account, regardless of the documentation that approved the procurement of goods and services, are required to be approved by the principal using MCPS Form 280-54. In our sample of disbursements, we found instances in which controls over purchases were insufficient due to missing documentation, including MCPS Form 280-54 not signed by the principal, invoices not annotated by the recipient to indicate purchased goods or services were satisfactorily received, and documentation not stamped as "paid." 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 with an estimate by staff and signed by you, at the time verbal approval is sought. MCPS Form 280-54, needs to be completed for all iPayment disbursements, and invoices must be marked as received and all documentation stamped paid.

Equipment purchased with IAF become the property of MCPS and are subject to MCPS Regulation EDC-RA, *Control of Furniture and Equipment Inventory*. We noted that equipment purchased by the school had not been added to the MCPS inventory and affixed with barcodes. We recommend that staff review MCPS regulation to ensure that equipment is properly coded and the inventory is adjusted accordingly. MCPS Form 234-18 <https://ww2.montgomeryschoolsmd.org/departments/forms/pdf/234-18.pdf> should be completed and sent to the Department of Materials Management to add an item to the asset inventory.

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 10th of the following month, using the online reconciliation program. In your previous action plan, you indicated that all transactions would be approved by the 10th business day. We found that cardholders had not promptly reviewed their transactions in the online reconciliation program and not all transactions had been approved online. We also found that cardholders were not always submitting a signed statement of landscape report each month from the JP Morgan website to the principal, and that monthly reports did not always have the corresponding receipts and invoices attached to the report. Cardholder's online reviews of purchase card transactions were not always including the IAF account number and designate each purchase as either for staff or students. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, is required for collection of student payments because it identifies the source and purpose of remittances and helps ensure that fees collected have been properly authorized and timely remitted. In your previous action plan, you had indicated that MCPS Form 280-34 would fully document remittance of funds. During our review of receipts, we found funds collected from students and remitted to the secretary were accompanied by MCPS Form 280-34 that were missing signatures, account numbers, names, purpose of funds collected, and dates collected and received. We recommend that staff be required to fully document the remittance of funds by completing all areas required on MCPS Form 280-34.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with a complete MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, to the secretary on the day the funds are received. These funds must then be verified in the presence of the remitter and a receipt that is supported by the MCPS Form 280-34 must be issued promptly (refer to the *MCPS Financial Manual*, chapter 7, page 4). 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). Every receipt should be attached to the remittance slip, and any other source documentation, and be filed in sequential order together with a copy of the deposit slip validated by the bank. We noted that staff collecting funds were holding, rather than remitting, the funds to the secretary in a timely manner. In addition, the secretary was not always making timely deposits and was holding money

in excess of permitted amounts. We also noted that at times, the former and current secretary took funds to the bank prior to recording in accounting software. Infrequent deposits increase the possibility of a loss of funds, diminish the school's ability to fund activities, and are contrary to the *MCPS Financial Manual*. To minimize the risk of loss and to provide assurance that available funds will be fully utilized to meet school needs, all funds collected must be remitted to the secretary daily and entered into the accounting software. In addition, all remittances on hand must be deposited promptly, and always before each weekend, end of the month, or holiday.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. In your previous action plan, you indicated that fund-raiser completion reports would be reviewed and reconciled, and have your signature. We found missing fund-raiser requests and completion reports and unrelated expenditures in fund-raiser accounts. We recommend requests and completion reports be prepared for all fund-raisers. Reviewing the results of a fund-raiser on a completion report will ensure that transactions in the fund-raiser account are correct and improve accurate analysis of the results for future decisions related to fund-raisers (refer to the *MCPS Financial Manual*, chapter 20, page 13).

All field trips must be pre-approved by the principal. 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.) In your previous action plan, you indicated that sponsors would provide complete data at the conclusion of each trip, and this data would be reconciled with the funds collected. We found that not all trips had approvals on file, sponsors are not always providing completed data at the conclusion of each trip, and that data is 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 the field trip activity as soon as the final comprehensive data is received from the sponsor.

Notice of Findings and Recommendations

- The principal and secretary must attend SFT Part I.
- 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.

- Purchaser must confirm receipt of goods or services, and documents must be date stamped and paid.
- Purchase documentation must be adequate to support disbursements (**repeat**).
- Furniture and Equipment control must comply with MCPS Regulation EDC-RA, *Control of Furniture and Equipment Inventory*.
- Purchase card transactions must be documented, reviewed by cardholders, and approved by the principal, and the statement of account landscape report must be printed and provided to the principal with all purchase receipts and invoices (**repeat**).
- MCPS Form 280-34 must be completed in its entirety (**repeat**).
- Funds collected by sponsors must be promptly remitted to the secretary, verified and receipted, prior to being deposited in the bank, and promptly deposited in the bank.
- Fund-raisers must follow MCPS *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser* (**repeat**).
- Field trip request for approval forms must contain all relevant information and records prepared by sponsors must provide comprehensive data to reconcile funds collected with account history reports (**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 Mrs. Michelle E. Schultze, acting director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Mrs. Schultze 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 secretary to support you with developing a well-defined plan to address the findings.

MJB:YSG:lsh

Attachment

Copy to:

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|-----------------------------------|---------------|
| Members of the Board of Education | Mrs. Eader |
| Dr. McKnight | Mr. Klausung |
| Mr. D'Andrea | Mrs. Ripoli |
| Dr. Dawson | Mrs. Schultze |
| Ms. Reuben | Ms. Webb |
| Mrs. Williams | |
| Mrs. Morris | |
| Mr. Reilly | |
| Mrs. Chen | |

FINANCIAL MANAGEMENT ACTION PLAN

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|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| Report Date: May 10, 2022 | Fiscal Year: 2022 |
| School: Burnt Mills ES 02309 | Principal: Stacy Ashton, Ed.D. |
| OTLS Associate Superintendent: Diane Morris | OTLS Director: Michelle Schultze |
| <p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>3/1/19-2/28/22</u>, 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 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| Finance Training: Principal and Administrative Secretary will take School Finance Training (SFT) Part 1 | Principal, Administrative Secretary | Professional Development Online (PDO) | Outlook reminder, PDO | Principal, Administrative Secretary – August 2022 | PDO SFT Part 1 Fall training will be posted on August 2022 |
| Independent Activity Funds (IAFs): Secretary will print out documentation supporting the IAF reports as part of the financial records, maintained in the school office and filed logically to be readily available for audit or other purposes. Financial records will be kept for five years after the close of the Fiscal Year (FY). | Principal, Administrative Secretary | Business Sandy Spring Bank, CIF, School Funds Online (SFO) | Outlook reminder, Business Sandy Spring Bank, CIF, SFO | Principal, Administrative Secretary, Bookkeeper - Ongoing | IAF records be properly filed and retained to be available for audit. Box records, label FY and shred date. |
| Monthly Reconciliation: Secretary to print out monthly bank and CIF statement by the 3rd of the month. Principal to review and signed. Secretary will forward to bookkeeper for journal entry and monthly reconciliation. | Principal, Administrative Secretary, Bookkeeper | Business Sandy Spring Bank, CIF, SFO | Outlook reminder, Business Sandy Spring Bank, SFO | Principal, Administrative Secretary - Ongoing | Initiate a process to ensure adequate review and maintenance of monthly financial reports of the IAF financial records. |

| Action Steps | Person(s) Responsible | Resources Needed | Monitoring Tools / Data Points | Monitoring: Who & When | Results/Evidence |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Monthly Account History: Sponsors monthly history report for review and signature. Secretary to provide memo or cover letter for principal to review and sign. | Principal, Administrative Secretary, Sponsors | SFO Account History Report by All Managers from the previous month | SFO, Outlook reminders | Principal, Administrative Secretary, Sponsors - Ongoing | Secretary created individual folders for sponsors to sign and return by the 10 th of the month. Bank reconciliation done by the 20 th of the month. |
| Purchase Request: Purchaser needs to fully fill-in MCPS Form 280-54, IAF Request for a Purchase, attached with an estimate and signed by the Principal. MCPS Form 280-54 will be completed for all iPayment disbursements. Invoices will be marked as received and all documentation stamped paid. | Principal, Administrative Secretary, Staff | MCPS Form 280-54, Invoices / Receipts, iPayment | Outlook email, online invoices | Principal, Administrative Secretary - Ongoing | Each disbursement must be fully explained on the form in order to properly record expenditures in appropriate accounts and to ensure that expenditures comply with IAF requirements. |
| Equipment purchased by the school need to be added to the MCPS inventory and affixed with barcodes by the Department of Materials and Management (DMM). | Administrative Secretary, DMM | MCPS Form 234-18 | MCPS Form 234-18 | Administrative Secretary - Ongoing | MCPS Form 234-18 for the Tractor and snowblower was sent to DMM. Equipment documentation and inventory for future maintenance. |
| Purchasing card (pcard): pcard holder to reconcile MCPS pcard by the fifth business day the following month, regardless if there's no transaction. The principal will review and approved by 10 th of the month. | Principal, Assistant Principal, Administrative Secretary | Transaction Reports | JP Morgan email reminder – statement of landscape, Outlook reminder, transaction reports | Administrative Secretary, Assistant Principal – third of the month, Principal – 10 th of the month. OSSI Director – monthly | The MCPS pcard will be used in accordance with the requirements of the MCPS pcard User's Guide. |
| Staff required to fully document the remittance of funds by completing all areas required on MCPS Form 280-34, IAF Remittance Slip. | Principal, Administrative Secretary, Staff | MCPS Form 280-34, SFO | MCPS Form 280-34, SFO | Principal, Administrative Secretary - Ongoing | MCPS Form 280-34 is required for collection of student payments because it identifies the source and purpose of remittances and helps ensure that fees collected have been properly authorized and timely |

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| | | | | | remitted. |
| Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with a complete MCPS Form 280-34. Funds collected by sponsors must be promptly remitted to the secretary, verified and receipted, prior to being deposited in the bank, and promptly deposited in the bank. | Principal, Administrative Secretary, Sponsors | SFO, drop box, safe, MCPS Form 280-34 | SFO, MCPS Form 280-34 | Principal, Administrative Secretary - Ongoing | Drop box was installed for staff to remit funds. Moving forward, the Parents, Teachers Association will spearhead fund raising. |
| Fund Raising: The fund raiser completion report will be reviewed and reconcile in advance with principal's signature. | Principal, Administrative Secretary, Staff | Fund Raiser Completion Report | Fund Raiser Completion Report | Principal, Administrative Secretary - Ongoing | Principal will review and reconcile by signing and dating the Fund Raiser Completion Report |
| Field Trips: All field trips will be pre-approved by the principal. Field trip records prepared by sponsors will provide comprehensive data at the conclusion of each trip, and the data will be reconciled with the funds collected using MCPS Form 280-41, Field Trip Accounting. Secretary will complete a reconciliation of the field trip activity as soon as the final comprehensive data is received from the sponsor. | Principal, Administrative Secretary | MCPS Form 280-41, Field Trip Accounting | MCPS Form 280-41, Outlook reminder | Principal, Administrative Secretary – Ongoing | A field trip packet and checklist is created. Sponsors has been filling-in MCPS Form 280-41 promptly. |

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| OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL | |
| <input checked="" type="checkbox"/> Approved <input type="checkbox"/> Please revise and resubmit plan by _____ | |
| Comments: | |
| Director: <u>Michelle Schultze</u> | Date: <u>6.10.22</u> |