


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

January 18, 2024

MEMORANDUM

To: Mrs.Carolynn Walsleben, Principal  
Candlewood Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
November 1, 2020, through October 31, 2023

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 December 19, 2023, meeting with you; Mrs. Karen S. Dove, school administrative secretary (secretary), and Mrs. Yvonne M. Spencer, visiting bookkeeper, we reviewed the prior audit report dated December 16, 2020, and the status of the 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**

Transfers of funds between general ledger accounts may be made only after MCPS Form 281-46, *Independent Activity Funds – Transfer*, has been executed by both the account sponsor and the principal. Transfers must be fully documented and must adhere to MCPS guidelines for allowable uses of funds. We found that the transfer of funds was processed using MCPS Form 281-46, however, the forms were missing the sponsor’s signature and at times the reason for the transfer.

In addition, we found that descriptions used on transfers did not convey the nature of the fund's movement. To improve internal controls, the secretary must be instructed to execute transfers only according to requests approved by the principal and sponsors on MCPS Form 281-46, and that the reason for transfer be clear to convey to the sponsors what was transferred in and out of an account (refer to the *MCPS Financial Manual*, chapter 20, page 12).

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 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. The secretary will then mark the documentation as "paid" prior to disbursing the funds. In your action plan, you indicated that staff would get approval before making a purchase and will initial as received and secretary will stamp as paid. In our sample of disbursements, we noted instances in which controls over purchases were weakened including MCPS Form 280-54 not completed in full and not always completed prior to purchases being made. We also found documentation supporting purchases were not stamped or marked "paid", and invoices and online purchase confirmations were not always signed by the receiver to indicate goods or services were received, and that payment could be processed. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditure and signed by the principal at the time verbal approval is sought. MCPS Form 280-54 must be completed in full by sponsor, secretary, and principal to include account name/number to be charged, the request date, the balance available in the account, and the signatures of the sponsor, secretary, and principal. After MCPS Form 280-54 is approved and payment is processed the secretary must complete part B to include the following information: check date, check number and check amount. We also recommend that all supporting documents be marked "paid", and when goods are received at the school that the purchase be verified as complete by the recipient and that the invoice/packing slip be marked "received" and signed/dated by the recipient. Requiring invoices to be marked "received" ensures that goods or services have been satisfactorily received prior to payment.

Independent contractors or consultants working in schools must comply with all laws and MCPS requirements set forth in the Procurement Manual. MCPS Form 280-49A: *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF)* is used to document authorization/approval for all consultant/independent contractor services paid with IAF. We found that this form was not being completed for payments to independent contractors during our audit period. We recommend that the project manager initiate MCPS Form 280-49A to document the authorization and approval to pay a consultant/independent contractor with IAF (refer to the *MCPS Financial Manual*, chapter 15, page 2).

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 action plan, you indicated that teachers would submit MCPS Form 280-41, *Field Trip Accounting*, at the completion of trips and secretary would do a reconciliation. We found that not all sponsors are providing completed data at the conclusion of each trip, and that data is not being compared to the final account history report. We recommend trip sponsors use MCPS Form 280-41, or its equivalent, and provide complete data at the conclusion of each trip. If all payments have been entered into School Cash Online (SCO) then the item attachment report may be used in lieu of MCPS Form 280-41. This data must be reconciled by the secretary with remittances recorded in activity accounts.

### **Notice of Findings and Recommendations**

- Transfers do not contain adequate descriptions and are not being signed by the sponsor.
- Purchase requests must be approved by the principal prior to procurement and MCPS Form 280-54 must be completed in its entirety (**repeat**).
- Purchaser must confirm receipt of goods and services prior to disbursement and documentation must be marked “paid” (**repeat**).
- MCPS Form 280-49A must be completed in advance for all independent contractors.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and 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 Mr. Gregory C. Mullenholz, director of school support and well-being, Office of School Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Mr. Mullenholz 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:ABB:rg

Attachment

Copy to:

Members of the Board of Education  
Dr. McKnight  
Dr. Collins  
Mr. Hull  
Dr. Kimball  
Mrs. Williams

Mrs. Carolynn Walsleben

4

January 18, 2024

Ms. Dempsey  
Mr. Reilly  
Mrs. Chen  
Ms. Eader  
Mr. Klausling  
Mr. Mullenholz  
Mrs. Ripoli  
Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> January 18, 2024	<b>Fiscal Year:</b> 2024
<b>School or Office Name:</b> Candlewood ES	<b>Principal:</b> Carolynn Walsleben
<b>OSSWB</b> <b>Associate Superintendent:</b> E. Lancellotti Dempsey	<b>OSSWB</b> <b>Director:</b> Greg Mullenholz
<b>Strategic Improvement Focus:</b> As noted in the financial audit for the period <u>11/1/20-10/31/23</u> , strategic improvements are required in the following business processes :  IAF-Transfer, IAF Request for a Purchase, Authorization for Consultant/Independent Contractor Services Paid with IAF, Field Trip Accounting	


Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
IAF Transfers: The Secretary will complete transfers only according to the requests approved by both the principal and sponsors on MCPS Form 281-46, and stating the reason for the transfer and both the principal's and sponsor's signatures.	Administrative Secretary	MCPS Form 281-46;	Weekly meetings with Principal and Admin. Secretary to review all documentation and requests.  Review of Sponsor Binder	Principal/ Monthly	Monthly Sponsor reports will have both the sponsor's and principal's signature, which will be review at the beginning of the following month.
IAF Request for a Purchase: MCPS form 280-54 will be prepared by staff with an estimate of expected expenditures and signed by the principal at the time verbal approval is received. MCPS form 280-54 will be completed in full by the sponsor, secretary and principal to include all required information.	Administrative Secretary, Principal, sponsor	MCPS form 280-54	Weekly meetings with Principal and Admin. Secretary to review all documentation and requests.	Principal, as requests are made	Review with staff mandatory procedures to request funds and review requests to ensure that Form 280-54 is completed to meet requirements.
Continued IAF Request for Purchase: Supporting documents be marked "paid"; received goods at the school will be verified and packing slip/invoice marked "received" and signed/dated by recipient prior to payment.	Administrative Secretary, Principal, sponsor	MCPS form 280-54; Paid and received stamps	Weekly meetings with Principal and Admin. Secretary to review all documentation and requests.	Principal, as requests are made	After Form 280-54 is complete, staff receive goods documents will be marked "Paid" and "received" following MCPS Financial Manual
Authorization for Consultant/Independent Contractor Services Paid with IAF: Administrative Secretary will initiate MCPS form 280-49A to document the authorization to a a consultant/independent contractor with IAF.	Administrative Secretary	MCPS form 280-49A	Weekly meetings with Principal and Admin. Secretary to review all documentation and requests.	Principal, as requests are made	MCPS form 280-49A will b completed to document the authorization to a a consultant/independent contractor with IAF.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Field Trip Accounting: Field trip sponsors will use MCPS form 280-41 and provide complete data at the conclusion of the field trip. For School Cash Online include item attachment report.	Administrative Secretary	MCPS form 280-41	Data will be reconciled by the Admin. Secretary with remittances recorded in activities account.	Carolynn Walsleben, Principal, as field trips are completed	Data will be reconciled by the Admin. Secretary with remittances recorded in activities account.

**OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)**

Approved       Please revise and resubmit plan by \_\_\_\_\_

Comments:

Director:       Date: 2/22/24