


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

January 6, 2023

MEMORANDUM

To: Ms. Anita Chan, Principal  
Carderock Springs Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
October 1, 2019, through September 30, 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 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 8, 2022, meeting with you; Mrs. Carol D. Meyer, school administrative secretary (secretary), and Mrs. Pamela K. Dunn, school visiting bookkeeper, we reviewed the prior audit report dated November 5, 2019, and the status of the present conditions. It should be noted that your appointment as principal was effective July 1, 2022. 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 and Part II, is required for all financial agents within their first year of assignment and refresher training is recommended every three years thereafter because policies, regulations, procedures, and technology applications are continuously updated (refer to the *MCPS Financial Manual*, chapter 1, page 10). We noted that your secretary has not taken the

SFT Part I and II since 2013. We recommended that she immediately sign up to take SFT Part I and II.

Transfers of funds between general ledger accounts may be made only after MCPS Form 281-46, *Independent Activity Funds – Transfer*, has been approved by both the account sponsor and the principal. Transfers must be fully documented and adhere to MCPS guidelines for allowable uses of funds. We found that transfers of funds were at times executed without completion of MCPS Form 281-46. We also noted that when MCPS Form 281-46 was prepared, the form was missing sponsor's signature. Also, 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 account sponsor on MCPS Form 281-46, and the transfer description must be clear enough to convey to the sponsor where funds were transferred to and from (refer to the *MCPS Financial Manual*, chapter 20, page 12).

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 and/or the account has a balance. Sponsors are required to verify that transactions have been correctly recorded and that the ending balance is correct. We noted that the secretary was only providing the principal a copy of her monthly account history reports and not providing the reports to other sponsors each month. The secretary must prepare and deliver each month the account history reports to all sponsors, and sponsors must review and resolve any discrepancies in their accounts and return the signed statements to the secretary who will file them for review by the Internal Audit Unit (refer to the *MCPS Financial Manual*, chapter 20, page 9).

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. The secretary will then mark the documentation as "paid" prior to disbursing the funds. In our sample of disbursements, we found instances in which controls over purchases were weakened including incidents where documentation was missing or not adequate to assure the school benefited from the purchase, 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. We also recommend that all support 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 sign/dated by the recipient. Requiring invoices to be marked "received" ensures that goods or services have been satisfactorily received prior to payment.

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 of the Associate Superintendent of Finance (OOF) (refer to the *MCPS Financial Manual*, chapter 20, page 5). These expenditures must be appropriately recorded in accordance with the IAF chart of accounts. In the school's action plan they indicated that they would keep a spreadsheet to track spending and adhere to allocation. We found that you exceeded the total amount allowed in Fiscal Year (FY) 2021 and FY 2022, without approval of the OOF. We also found instances in which expenditures for these items were incorrectly classified and recorded in various accounts. Such commingling increases the time required to determine whether or not guidelines have been followed and decreases the value of your financial reports for decision making. We recommend that you adhere to the MCPS requirements, as well as correctly classify and record these transactions for more accurate accountability.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS Purchasing Card Users 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. In the school's action plan they indicated that they would bring purchasing card usage into conformity with MCPS requirements. We found that cardholders are not remitting a signed statement of account landscape report, with corresponding receipts and invoices attached, each month for your review and approval. Cardholders did not always provide the description of items purchased, indicate if for students or staff, or indicate IAF account number when required. It was also noted that purchases using your school's instructional material card did not comply with MCPS guidelines. We also found that the former 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.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities must be remitted promptly and intact to the secretary. Cash must be counted in the presence of the remitter, and a receipt that is supported by the remittance slip must be issued promptly. We found that at times staff were holding funds and not remitting to the secretary on a daily basis. We also noted that funds had been held by the secretary over the allowable Cash Holding Authority. We noted that the secretary at times took funds to the bank prior to posting in SFO, at times receipts were printed on plain paper instead of on receipt stock, and sponsors were not always receiving a copy of their receipt. To improve controls, we recommend adoption of the procedures in the *MCPS Financial Manual*, chapter 20, page 6.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund-raiser*. We found that there was a lack of adherence to these guidelines and that sponsors were not preparing a fund-raiser request form to obtain principal approval prior to the start of an activity. We also noted that sponsors were not submitting a completion report when the fund-raiser

was finalized. Following these internal control procedures provides for accountability of funds raised, as well as the opportunity to evaluate the results at the conclusion of the event. Each fund-raiser must be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund-raising activity must be recorded in a separate account in the 7000 series, a completion report prepared that analyzes the results, and closed upon completion (refer to the *MCPS Financial Manual*, chapter 20, page 13).

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

- The secretary must attend SFT Part I and Part II.
- Transfers between fund accounts must be fully documented and approved on MCPS Form 281-46.
- 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 prior to disbursement and documentation must be annotated as “paid”.
- Purchase documentation must be adequate to support disbursements.
- Total combined expenditures for staff appreciation and meeting refreshments may not exceed \$60 per individual staff member per fiscal year without prior approval of the OOF **(repeat)**.
- Purchase card activity must comply with the *MCPS Purchasing Card User’s Guide* **(repeat)**.
- Cash and checks (funds) collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the secretary.
- Cash and checks (funds) remitted by sponsors must be promptly verified and receipted, prior to being deposited timely by the secretary.
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*;

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 school support and well-being, Office of Student Support and Well-Being, 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 administrative secretary to support you with developing a well-defined plan to address the findings.

MJB:YSG:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. Hull

Dr. Murphy

Ms. Reuben

Mr. Stockton

Mrs. Williams

Dr. Floyd-Cooper

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausing

Dr. Redmond Jones

Mrs. Ripoli

Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> 2023	<b>Fiscal Year:</b> 2023
<b>School:</b> Carderock Springs ES - 604 <input type="checkbox"/>	<b>Principal:</b> Anita Chan
<b>OSSWB</b> <b>Associate Superintendent:</b> Dr. Rotunda Floyd-Cooper	<b>OSSWB</b> <b>Director:</b> Dr. Donna Redmond Jones

**Strategic Improvement Focus:**  
 As noted in the financial audit for the period 10/1/19-9/30/22, strategic improvements are required in the following business processes :  
 training, purchase requests, transfers, monthly reporting/sponsors and account holders, purchasing card policies, collecting funds, fundraising, staff appreciation budget

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Training  Administrative Secretary and Principal will attend Finance Training Part 1 and Part 2	Principal Admin Secretary	PDO	PDO Registration and Transcript	Dr. Donna Redmond Jones Part 1 - 3/13/23 Part 2 -	PDO Confirmation of Course Completion
Transfer of Funds  All financial records will be maintained and documented on Form 281-46 to be reviewed and approved by the principal	Principal Admin Secretary Bookkeeper	Form 241-46	Monthly financial documents	Anita Chan  weekly meetings with admin secretary	Completed Form 241-46 Monthly reconciliation
Monthly Reporting  Monthly sponsor reports will be verified and signed by sponsors, reports will be reviewed, verified, and signed by principal	Principal Admin Secretary Sponsors	Documented cover sheet of all activities by month	Monthly financial documents	Anita Chan  weekly meetings with admin secretary	Monthly sponsor reports signed by sponsor and principal
Purchase Request Approval  Train all staff to follow procedures for requesting a purchase on Form 280-54, principal must approve requests prior to procurement, document items received and invoices as paid	Principal Admin Secretary All staff making purchases	Form 280-54  OOF to provide training support	Staff training presentation  MCPS Financial Manual (Ch. 20, p. 4)	Anita Chan Carol Meyer	Signed and dated requests for purchase by requester, financial agent, and principal prior to purchase



Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchase Card Procedures  Train all cardholders to review and comply with the MCPS Purchasing Card User's Guide	Principal Cardholders	MCPS Purchasing Card User's Guidelines Manual	JP Morgan transaction log  Staff training	Anita Chan  weekly meetings with admin secretary	Signed and dated landscape reports
Fund Collection  Internal controls will be implemented to ensure proper handling, depositing, and receipting of funds, train all staff to remit funds in a timely manner	Principal Admin Secretary All staff collecting funds	OOF to provide training support	Monthly financial documents	Anita Chan  weekly meetings with admin secretary	Monthly bank statements reviewed and signed by principal, bank reconciliations signed by principal
Fundraising  Train all staff for process and procedures for fundraising activities, ensure prior approval for the fundraiser from the principal and completion report follows the activity	Principal Admin Secretary All staff raising funds	Guidelines for Sponsoring an Independent Activity Fund Raiser	Monthly financial documents	Anita Chan  weekly meetings with admin secretary	Fundraiser Requests Monthly reconciliation and sponsor reports Fundraiser Completion Report
Staff Appreciation  Staff appreciation related expenses will be recorded and monitored in the correct account and recognize a group or entire staff and be within the amount allocated (\$60/staff)	Principal Admin Secretary	Form 280-54	Anita Chan weekly meetings with admin secretary monthly meetings	Anita Chan	Signed and dated requests for purchase by requester, financial agent, and principal prior to purchase

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

☒ **Approved**      ☐ **Please revise and resubmit plan by \_\_\_\_\_**

Comments: \_\_\_\_\_

Director:       Date: 2/28/23