


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

October 31, 2022

MEMORANDUM

To: Mrs. April D. Longest, Principal
Farmland Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2019, through July 31, 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 October 19, 2022, meeting with you, and Ms. Theresa T. Harrison, school administrative secretary (secretary), we reviewed the prior audit report dated November 1, 2019, and the status of present conditions. It should be noted that Ms. Harrison's assignment as secretary was effective December 9, 2019. 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

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 your action plan, you indicated that all disbursements from the school’s IAF would be approved by you using MCPS Form 280-54, and that invoices would be signed by receiver. In our sample of disbursements, we found instances in which controls over purchases were weakened including incidents where the MCPS Form 280-54 was not approved prior to the commitment of IAF activities, documentation 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 expenditures 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 signed/dated by the recipient. Requiring invoices to be marked “received” ensures that goods or services have been satisfactorily received prior to payment.

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 approver, with all purchase receipts and invoices attached. The approver must review each cardholder’s transactions and approve them by the 10th calendar day of the following month, using the online reconciliation program. We found that you and your secretary had not promptly prepared your monthly statements, provided description of items purchased, indicated IAF account number when required, attached purchase receipts, or reviewed transactions in the online reconciliation program. We also found that the approver had not approved all transactions online, since they had not been reviewed by cardholders. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the secretary. 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). In your action plan you indicated that staff would remit funds daily and that your secretary would make deposits promptly. We found instances in which funds were held by sponsors rather than being remitted on a daily basis to the secretary and they were not always promptly deposited into the school’s bank account. To minimize the risk of loss and provide availability of funds to meet school needs, all funds collected must be remitted daily to the secretary for prompt deposit.

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. In your action plan you indicated that sponsors would remit complete data at the conclusion of each trip. 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. All sponsors are required to submit MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and follow the procedures outlined above. This data must be reconciled by the secretary with remittances recorded in activity accounts (refer to the *MCPS Financial Manual*, chapter 20, page. 10).

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchase invoices must be annotated as “paid” to indicate disbursement was made (**repeat**).
- Purchase documentation must be adequate to support disbursements.
- Purchase card activity must comply with the MCPS *Purchasing Card User’s Guide*.
- Cash and checks (funds) collected by sponsors must be promptly remitted to the secretary and deposited in the bank by end of the month and before each weekend or holiday (**repeat**).
- Final field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and the secretary must reconcile funds. (**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. David Adams, 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, Mr. Adams 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:AMB: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
Mr. Adams
Mrs. Chen
Ms. Eader
Mr. Klausling
Mrs. Ripoli
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:	Fiscal Year:
School:	Principal:
OSSWB Associate Superintendent:	OSSWB Director:
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period _____, 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




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

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved **Please revise and resubmit plan by** _____

Comments: _____

Director: _____  _____ Date: _____