


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

July 18, 2022

MEMORANDUM

To: Mrs. Angie L. Fish, Principal  
Flower Valley Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
April 1, 2019, through May 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 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, 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 12, 2022, meeting with you; Ms. Angela M. Castillo, assistant principal; Mrs. Padma Radhakrishnan, school administrative secretary (secretary); and Ms. Ann M. Myers, visiting bookkeeper, we reviewed the prior audit report dated June 4, 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**

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 addition, regardless of the documentation that approved the procurement of goods and services, all disbursements from a school’s IAF, other than for petty cash items, must be approved by the principal using MCPS Form 280-54, prior to disbursement of funds. MCPS i-Payment disbursements made by Automated Clearing House (ACH) with multiple IAF accounts to be charged are to include a summary spreadsheet detailing the IAF account(s) to be charged with the principal’s approved Form 280-54 for the total disbursement. In your action plan, you indicated that all disbursements from the school’s IAF would be approved by you using MCPS Form 280-54. 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 and a lack of principal approval for the disbursement of funds when paying MCPS i-Payments. We also found instances in which 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 and prior to disbursement of funds when paying MCPS i-Payments. 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.

To properly control funds, all cash and checks collected by sponsors for IAF activities must be remitted promptly to the secretary. These funds must then be verified in the presence of the remitter and a receipt that is supported by MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, 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, page 5). In your action plan, you indicated that all collected funds would be remitted and deposited daily. In our sample of receipts, we found instances in which staff collecting funds were holding funds rather than remitting them in a timely manner to the secretary. We also found that at times funds were held over the allowable cash handling authority limit or over a weekend. 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 received must be deposited promptly, and always before each weekend, end of the month, or holiday. Staff should monitor their remittances to the secretary to ensure they receive a receipt in a timely manner.

**Notice of Findings and Recommendations**

- ACH disbursements must be documented using MCPS Form 280-54 (**repeat**).
- Purchaser requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made.
- Cash and checks (funds) collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the secretary (**repeat**).
- Cash and checks (funds) remitted by sponsors must be promptly receipted and deposited in the bank by the secretary in accordance with Chapter 7 of the *MCPS Financial Manual*.

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. Rotunda Floyd-Cooper, associate superintendent, Office of School Support and Well-Being for written approval of your plan. Based on the audit recommendations, Dr. Floyd-Cooper 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:HT:lsh

Attachment

Copy to:

Members of the Board of Education  
Dr. McKnight  
Dr. Murphy  
Mr. Stockton  
Ms. Reuben  
Mrs. Williams  
Dr. Floyd-Cooper  
Mr. Reilly  
Mrs. Chen  
Mrs. Eader  
Mr. Klausling  
Mrs. Ripoli  
Ms. Webb

**FINANCIAL MANAGEMENT ACTION PLAN**

**Report Date:**

**Fiscal Year:**

**School:**

**Principal:**

**OSSWB  
Associate Superintendent:**

**OSSWB  
Director:**

**Strategic Improvement Focus:**

As noted in the financial audit for the period \_\_\_\_\_, strategic improvements are required in the following business processes :

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)	
<input checked="" type="checkbox"/> <b>Approved</b>	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director: <i>Rotunda Floyd-Cooper</i>	Date: _____