

Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

May 3, 2021

MEMORANDUM

To: Mr. Evan H. Bernstein, Principal  
Forest Knolls Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
February 1, 2018, through February 28, 2021

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 April 26, 2021, meeting with you; Mrs. Erika Milosavljevic, school administrative secretary (secretary), and Ms. Ann M. Myers, school visiting bookkeeper, we reviewed our prior audit report dated March 23, 2018, and the status of present conditions. It should be noted that Mrs. Milosavljevic's appointment as secretary was effective January 21, 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

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 purchases were not pre-approved, documentation supporting purchases was not consistently stamped or marked “paid,” and invoices and online purchase confirmations were not always signed by the receiver to indicate goods or services were received so 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 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). In your action plan, you indicated that sponsors would remit funds on a daily basis to the secretary, and the secretary would make prompt deposits, including on the last working day of the month and before each weekend or holiday. We found instances in which funds were held by the sponsors rather than being remitted daily 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.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Student Organization Trips*. 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 complete MCPS Form 280-41, *Field Trip Accounting* for all field trips in order to record and reconcile money collected, to document student waivers and scholarships granted, as well as to list all students not attending the field trips. We found that not all sponsors are providing completed data at the conclusion of each trip and that data is not being reconciled or 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.

- Purchaser must confirm receipt of goods or services prior to disbursement.
- Purchase invoices must be annotated as “paid” to indicate disbursement was made.
- Funds collected by sponsors must be remitted daily to the secretary for prompt deposit (**repeat**).
- Field trip records that are prepared by sponsors must provide comprehensive data to account for all students eligible to participate and to reconcile funds collected (**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. Jennifer L. Webster, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Mrs. Webster 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:AMB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Ms. Stratman

Dr. Wilson

Mrs. Williams

Mrs. Morris

Mrs. Chen

Mr. Klausung

Mr. Marella

Mr. Reilly

Mr. Tallur

Mrs. Webster

Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

**Report Date:** 2021

**Fiscal Year:** 2021

**School:** Forest Knolls ES - 803

**Principal:** Evan H. Bernstein

**OTLS**

**Associate Superintendent:** Diane Morris

**OTLS**

**Director:** Jennifer Webster

**Strategic Improvement Focus:**

As noted in the financial audit for the period 2/1/18-2/28/21, strategic improvements are required in the following business processes :

IAF request for purchase, confirmation of purchases by requesters, daily remittance of funds collected, and field trip accounting.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Administrative Secretary will give all staff who wish to place an order, MCPS form 280-54 to be filled out entirely and approved before the order is placed	Administrative Secretary Principal	MCPS Form 280-54		Ongoing by school office Fall Training by Admin Secretary & Visiting Bookkeeper	
Orders will be inventoried by the requester(if available) or main office. The invoice will be checked to ensure everything ordered has arrived. If all is well, it has to be signed and dated and given to the Administrative Secretary. Invoices will be marked paid. Any missing items will be reported and will be resolved before payment.	Requester Administrative Secretary Principal	All order documents		On-going	
Money collected by sponsors will be turned into the administrative secretary daily by 2:00 pm so that a daily bank deposit can occur. Money will be counted in front of staff and sponsors will be given a receipt that is supported by MCPS form 280-34.	Administrative Secretary Staff	MCPS form 280-34		On-going	
When field trips are scheduled, grade level team leaders will be given a newly created field trip financial packet with all forms needed for record keeping for a field trip. All paperwork must be completed by the conclusion of the field trip in order for the grade level team to schedule another field trip.	Administrative Secretary Administration Classroom Teachers	Field Trip Financial Packet MCPS Form 280-41		On-going	

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**OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL**

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

Comments:

Director: Jennifer L. Webster      Date: 5 / 13 / 21