


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

January 6, 2023

MEMORANDUM

To: Mr. Shahid A. Muhammad, Principal
Forest Oak Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2021, through October 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 December 9, 2022, meeting with you, and Mr. Dan Bamvi-Koua, school financial specialist, we reviewed the prior audit report dated April 27, 2021, and the status of the present conditions. It should be noted that Mr. Bamvi-Koua's assignment as school financial specialist was effective June 17, 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. 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 financial specialist 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, incorrect accounts were charged, documentation supporting purchases 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 requestors indicate the correct account to be charged, 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.

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 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. The principal’s card transactions are to be reviewed and approved by their respective director. We found that cardholders had not promptly reviewed their transactions in the online reconciliation program and not all transactions had been approved online by the principal and respective director. We also found that cardholders were not always printing the statement of account landscape reports timely and cardholder’s online reviews of purchase card transactions did not always include the IAF account number, staff or students, or detailed description of what was purchased. 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 financial specialist along with a remittance slip. Cash must be counted in the presence of the remitter, and a receipt that is supported by the remittance slip must be issued promptly. 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 the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and give the sealed envelope to an administrator to secure in the business office safe. Verification of these funds must be conducted in the presence of the remitter or another staff member by the next business day. We found that some sponsors were holding funds collected rather than remitting them to the financial specialist on a daily basis. We also noted at times the financial specialist was not making timely deposits and was holding money in excess of permitted amounts. Also, we found there was no process for securing funds when the financial specialist was unable to verify them. Infrequent deposits increase the possibility of a loss of funds, diminish the school’s ability to fund activities, and are contrary to the MCPS Financial Manual. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected must be remitted daily to the school financial specialist. 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.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Student Organization Trips*. Field trip approval forms signed by the principal, and the director of school support and well-being, when required, along with the field trip calculator and final accounting forms must be retained for reconciliation purposes. 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 school financial specialist 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). We found that the above forms were not retained for review or reconciliation. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, and provide complete data at the conclusion of each trip. This data must be reconciled by the financial specialist with remittances recorded in activity accounts.

MCPS Regulation DMB-RA, *Control of Admission Receipts*, sets forth procedures for the control of admission receipts for school events. The accounting for these events must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and perpetual inventory of tickets (refer to the *MCPS Financial Manual*, chapter 20, page 13). We noted that funds from dances were not deposited into an admission account, that MCPS Form 280-50 was not always completed and there was no perpetual ticket inventory on hand. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events for compliance with the above cited MCPS requirements.

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 and documentation must be stamped "Paid".
- 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 school financial specialist.
- Cash and checks (funds) remitted by sponsors must be promptly verified, receipted, and deposited in the bank by the school financial specialist in accordance with chapter 7 of the *MCPS Financial Manual*.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and financial specialist must reconcile funds collected with account history report.
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

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 Ms. Nicole A. Sosik, 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, Ms. Sosik 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 school financial specialist 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

Mr. Hull

Dr. Murphy

Ms. Reuben

Mr. Stockton

Mrs. Williams

Ms. Morris

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Ms. Sosik

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)	
<input type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director: <u>Nicole A. Sosik</u>	Date: <u>1/25/23</u>