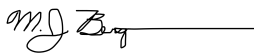


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

June 14, 2021

MEMORANDUM

To: Dr. Norman L. Coleman, Principal  
Francis Scott Key Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
October 1, 2019, through March 31, 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 June 8, 2021, virtual meeting with you and Mrs. Jackie L. Spear, school financial specialist, we reviewed the prior audit report dated December 12, 2019, and the status of present conditions. 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

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 account, or the account has a balance. We found this essential internal control procedure was not being followed. We recommend sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the accounts have been correctly recorded. After any discrepancies are resolved, the statements must be signed and dated by the sponsor to attest to their

accuracy. A procedure should be established to ensure that all statements are reviewed and returned (refer to the *MCPS Financial Manual*, Chapter 20, page 10).

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 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, documentation supporting purchases was 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, the purchase be verified as complete by the recipient and that the invoice/packing slip be marked “received” and signed/dated by the recipient when goods are received at the school. Requiring invoices to be marked “received” ensures that goods or services have been satisfactorily received prior to payment.

Controls over cash receipts need improvement. Staff collecting funds for activities were holding funds, rather than remitting them timely, to the financial specialist. Also, the financial specialist was not always making timely deposits and was holding money in excess of permitted amounts. 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 to the financial specialist daily (refer to the *MCPS Financial Manual*, chapter 7, page 4). In addition, all remittances on hand must be deposited before each weekend or holiday.

A review of field trip activities revealed that although sponsors are providing fee information as funds are collected and remitted, not all field trip sponsors are providing comprehensive financial information to the financial specialist at the completion of a trip. 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 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 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. We recommend that trip sponsors be required to provide complete data at the conclusion of each trip, and this data be reconciled by the financial specialist with remittances recorded in activity accounts.

Sixth-grade students at each middle school in MCPS participate in a three-day, two-night residential outdoor environmental education program (OEEP) for which they are assessed a \$76 fee to reimburse MCPS for the cost of personal expenses associated with the program. Students unable to pay the OEEP fee receive waivers that must be reported to MCPS so that the total amount of the invoice billed to schools is adjusted accordingly. A school also may charge an activity fee in addition to the OEEP fee. If the combined total amount a student can afford to pay for the OEEP fee, plus the school's activity fee equals \$76 or less, then the entire combined amount received from the student is to be remitted to OEEP (refer to *OEEP Grade 6 Residential Program Handbook and Planning Information*, page 41). We found that the school did not correctly report all funds collected from students who were identified as needing assistance which then resulted in an underpayment to MCPS. We also noted that you collected funds from more students than for whom you were billed, indicating an inaccurate headcount completed by OEEP. You must review the procedures for reporting students needing financial assistance with the OEEP sponsor and the financial assistance forms to need to be reviewed for accuracy before they are submitted. We also recommend that you reconcile your account to determine that all students who paid and attended were properly reported to MCPS. You will need to submit payment to OEEP for the amount that was underpaid.

#### Notice of Findings and Recommendations

- School financial specialists must provide monthly account history reports to sponsors for affirmation of transaction correctness and return signed reports to the school financial specialist (**repeat**).
- Purchase requests must be preapproved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- The purchase invoice must be stamped "paid" to indicate disbursement was made (**repeat**).
- Funds collected by sponsors must be promptly remitted to the school financial specialist (**repeat**).
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the school financial specialist (**repeat**).
- Field trip sponsors must prepare and submit comprehensive field trip records to account for all students eligible to participate and the financial specialist must reconcile funds collected with account history reports (**repeat**).
- OEEP sponsor records must correctly report funds collected and waivers granted for all participating students (**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 Dr. Jane Q. Ennis, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written

approval of your plan. Based on the audit recommendations, Dr. Ennis 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 financial specialist 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

Mrs. Ferrell

Dr. Wilson

Mrs. Williams

Mrs. Morris

Mrs. Chen

Dr. Ennis

Mr. Klausing

Mr. Marella

Dr. Ennis

Mr. Tallur

Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> FY22	<b>Fiscal Year:</b> FY22
<b>School:</b> Francis Scott Key MS - 311	<b>Principal:</b> Dr. Norman L. Coleman
<b>OTLS</b> <b>Associate Superintendent:</b> Mrs. Diane Morris	<b>OTLS</b> <b>Director:</b> Dr. Jane Ennis
<p><b>Strategic Improvement Focus:</b> As noted in the financial audit for the period <u>10/19/19-3/31/21</u>, strategic improvements are required in the following business processes :</p> <p>Independent Activity Funds (IAF)</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Mentor/coach to support financial specialist - identify mentor/school principal approval (Coleman) - schedule monthly meetings with mentor/coach (Spear)	Principal (Dr. Coleman)  Financial Specialist (Ms. Spear)	Financial resources to support organization and management	Google meeting document - record notes and progress	Monthly  Principal and Financial Specialist	Meeting notes
Bi-weekly financial check-in meetings and action plan updates to monitor and discuss: - staff presentations/trainings, check lists, and meetings - audit recommendations - financial successes and/or progress - financial questions and/or concerns	Principal (Dr. Coleman)  Financial Spec. (Ms. Spear)	Financial Reports	Google meeting document - record notes and progress	Bi-weekly  Principal and Financial Specialist	Meeting notes and financial reports
School financial specialists must provide monthly account history reports to sponsors for affirmation of transaction correctness and return signed reports to the school financial specialist (Audit Recommendation)	Financial Specialist (Ms. Spear)	Financial Reports	Google meeting document - record notes and progress	Bi-weekly  Principal and Financial Specialist	Meeting notes and financial reports
Purchase requests must be pre-approved by the principal prior to procurement (Audit Recommendation)	Principal (Dr. Coleman)	Financial Reports	Google meeting document - record notes and progress	Bi-weekly  Principal and Financial Specialist	Meeting notes and financial reports

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchaser must confirm receipt of goods or services prior to disbursement and the purchase invoice must be stamped "paid" to indicate disbursement was made. (Audit Recommendation)	Financial Specialist (Ms. Spear)	Financial Reports	Google meeting document - record notes and progress	Bi-weekly Principal and Financial Specialist	Meeting notes and financial reports
Remitted funds must be promptly verified, received, and deposited in the bank by the school financial specialist. (Audit Recommendation)	Financial Specialist (Ms. Spear)	Financial Reports	Google meeting document - record notes and progress	Bi-weekly Principal and Financial Specialist	Meeting notes and financial reports
Field trip sponsors must prepare and submit comprehensive field trip records to account for all students eligible to participate and the financial specialist must reconcile funds collected with account history reports (Audit Recommendation)	Financial Specialist (Ms. Spear)	Financial Reports	Google meeting document - record notes and progress	Bi-weekly Principal and Financial Specialist	Meeting notes and financial reports
OEEP sponsor records must correctly report funds collected and waivers granted for all participating students (Audit Recommendation)	Financial Specialist (Ms. Spear)	Financial Reports	Google meeting document - record notes and progress	Bi-weekly Principal and Financial Specialist	Meeting notes and financial reports

OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> <b>Approved</b>	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments:	
Director: <u>Jane Q. Ennis</u>	Date: <u>8 - 2 - 21</u>