

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 15, 2022

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
April 1, 2021, through September 30, 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 November 11, 2022, meeting with you; Ms. Diane D. Morris, associate superintendent; and Mrs. Jackie L. Spear, school financial specialist, we reviewed the prior audit report dated June 14, 2021, and the status of the 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

Reconciliation of the school's monthly bank checking account statement must be completed by a person independent of daily accounting transaction input and cannot be a check signer. The principal must review the bank statement prior to the completion of the monthly reconciliation. Monthly reports, including the bank reconciliation, are to be presented to the principal no later than the 20th of the subsequent month. The principal shall review these reports, sign and date them

to indicate this review, and return them to the financial specialist to be filed with other monthly reports (refer to the *MCPS Financial Manual*, Chapter 20, page 9). We found that bank reconciliations were not completed timely, and that the reconciliation was completed by the administrative secretary who is also a check signer on the bank account. We also noted that the principal is signing the bank statement when reviewing the reconciliation rather than prior to the reconciliation. We recommend that a staff member that is not a check signer be designated to perform the bank reconciliation each month. We also recommend that the reconciler and school financial specialist set an Outlook reminder on their calendar monthly to complete this task timely and that the principal review the bank statement prior to the reconciliation being completed.

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 and that there are adequate funds available to cover the requested purchase amount. 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, will be approved by the principal using MCPS Form 280-54, prior to expenditure of funds. Disbursements made by Automated Clearing House (ACH) with multiple IAF accounts to be charged, such as MCPS iPayments, are to include a summary spreadsheet detailing the IAF account(s) to be charged with the principal approved MCPS Form 280-54. In our sample of disbursements, we found instances in which controls over purchases were weakened that included pre-printed dates on principal signature line, documentation missing or not adequate to assure the school benefited from the purchase, and no MCPS Form 280-54 being prepared and approved for MCPS iPayments. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAFs. In your action plan, you stated that purchase requirements would be reviewed with staff members and that the principal would pre-approve all purchases. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of purchase amount, reviewed by the school financial specialist for accuracy, and then presented to the principal for approval. If the principal approves the purchase, the principal will then sign and date at that time. We further recommend that MCPS Form 280-54 be prepared and approved prior to paying any MCPS iPayments.

Aggregate school expenditures of general funds for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per individual staff member, per fiscal year, without the prior written authorization of the Associate Superintendent of Finance (refer to the *MCPS Financial Manual*, chapter 20, page 5). These expenditures must be appropriately recorded in accordance with the IAF chart of accounts. We found that you exceeded the total amount allowed in Fiscal Year 2022 without approval of the Office of Finance. We also found instances in which expenditures for these items were incorrectly classified and recorded in various accounts. Such commingling increases the time required to determine whether or not guidelines have been followed and decreases the value of your financial reports for decision making. We recommend that you adhere to the MCPS requirements, as well as correctly classify and record these transactions for more accurate accountability.

Cash and checks collected by sponsors and others for IAF must be remitted promptly to the school financial specialist, and accompanied by MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*. These funds must be counted and verified under dual control. 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, pp 4-5). We found that at times, staff were holding funds and not remitting to the school financial specialist when received. We also noted that funds had been held by the school financial specialist over the allowable *Cash Holding Authority (CHA)*. In addition, we noted that MCPS Form 280-34, was not always completed in its entirety by the sponsor, at times the form was not prepared at all by staff, and was missing the date, description, signature, and total amount collected. In your action plan you stated that funds would be promptly remitted and deposited by the financial specialist. We recommend that all sponsors complete the remittance slip in full and to minimize the risk of loss, all funds collected must be remitted daily, counted and verified under dual control, and deposited to the bank promptly.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund-Raiser*. Each fund-raiser must be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund-raising activity must be recorded in a separate account in the 7000 series and a completion report prepared that analyzes the results (refer to the *MCPS Financial Manual*, chapter 20, page 13). We found not all sponsors were preparing fund-raiser request forms to obtain your approval prior to the start of an activity. We also noted that sponsors, school financial specialist, and the principal were not reviewing or signing a completion report when the fund-raiser was finalized. We recommend following these internal control procedures to provide for accountability of funds raised, as well as the opportunity to evaluate the results after the event.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Student Organization Trips*. Trip approval forms signed by the principal must be retained. 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 using MCPS Form 280-41 *Field Trip Accounting*, or equivalent. The school financial specialist must compare this data to remittances recorded in the trip account history report (refer to *MCPS Financial Manual*, chapter 20, page 10). In your action plan you stated that staff would remit required documentation to the school financial specialist and field trips would be analyzed at the conclusion of the field trip. We found in all our samples, sponsors are not providing comprehensive field trip accounting on MCPS Form 280-41, or its equivalent at the conclusion of each trip, and that data is not being compared to the final account history report. We recommend that all sponsors be required to provide comprehensive data to the school financial specialist using MCPS Form 280-41, or equivalent, and follow the procedures outlined above.

Notice of Findings and Recommendations

- Monthly bank statement review must be signed and dated by the principal with bank reconciliations completed on a timely basis.
- There must be clear evidence that the monthly bank reconciliation is completed by a person independent of daily accounting transaction input and is not a bank check signer.
- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchase documentation must be adequate to support disbursements.
- Total combined expenditures for staff appreciation and meeting refreshments may not exceed \$60 per individual staff member per fiscal year without prior approval of the OOF.
- Staff appreciation and meeting refreshment expenditures must be correctly classified and recorded.
- Cash and checks (funds) collected by sponsors must be promptly remitted with MCPS Form 280-34 to the school financial specialist.
- Cash and checks (funds) remitted by sponsors must be promptly verified and receipted, and deposited promptly to the bank (**repeat**).
- Fund-raisers must have a request form and be approved by the principal.
- Fund-raisers must have completion reports prepared by sponsors and must provide sufficient information to analyze results.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and school financial specialist must reconcile funds collected with account history report (**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 Ms. Diane D. Morris, associate superintendent 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. Morris 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:LMB: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. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY23	Fiscal Year: FY23
School: Francis Scott Key MS - 311	Principal: Dr. Norman L. Coleman
OTLS Associate Superintendent: Ms. Diane Morris	OTLS Director: N/A
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>4/1/21 - 9/30/22</u>, strategic improvements are required in the following business processes :</p> <p>Strategic improvements are outlined below per the recommendations noted on the December (2022) audit report.</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Monthly bank statements submitted to the principal in a timely manner for review, signature, and submission	Ms. Spear, Financial Specialist	Bank Statements	Bank statements	Dr. Coleman, Monthly (Bi-weekly check-in meetings)	
Purchase request must be approved by principal prior to procurement	Ms. Spear, Financial Specialist	MCPS Form	Purchase request log	Dr. Coleman, Monthly (Bi-weekly check-in meetings)	
Cash and checks (funds) collected from sponsors must be promptly verified and receipted, and deposited to the bank	Ms. Spear, Financial Specialist	Bank Statements and Sponsor Reports	Bank Statements and Sponsor Reports	Dr. Coleman, Monthly (Bi-weekly check-in meetings)	
Cash and checks (funds) collected from sponsors must be promptly remitted with MCPS Form 280-34 to the financial specialist	Ms. Spear, Financial Specialist	MCPS Form 280-34 and Sponsor Reports	Sponsor Reports	Dr. Coleman, Monthly (Bi-weekly check-in meetings)	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Fundraisers - completion reports prepared by sponsors and provide sufficient information to analyze results and request forms must be submitted to the principal, for approval, in a timely manner	Ms. Spear, Financial Specialist	Fundraiser Report	School Account Reports (Monthly)	Dr. Coleman, Monthly (Bi-weekly check-in meetings)	
Field trips prepared by sponsors must provide comprehensive data for all eligible students to participate and collected funds must be reconciled with an account history report	Ms. Spear, Financial Specialist	Field Trip Report	School Account Reports (Monthly)	Dr. Coleman, Monthly (Bi-weekly check-in meetings)	
Staff appreciation and meeting refreshments must be properly classified and recorded and may not exceed \$60 per person limit	Ms. Spear, Financial Specialist	School Accounts Report	School Account Reports (Monthly)	Dr. Coleman, Monthly (Bi-weekly check-in meetings)	

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

Approved Please revise and resubmit plan by _____

Comments: _____

Director: Diane D. Morris Date: 2/15/23