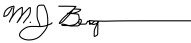


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

January 5, 2021

MEMORANDUM

To: Mrs. Dorothea A. Fuller, Principal
Galway Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2017, through October 31, 2020

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 18, 2020, virtual meeting with you; Ms. Nichola A. Wallen, assistant principal; Ms. Yesenia Trejo, school administrative secretary (secretary), and Ms. Sandra Windlan, visiting bookkeeper, we reviewed the prior audit report dated May 10, 2017, 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

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). 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-Receiveable 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 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-Receiveables. We recommend that MCPS Form 280-54 be prepared and signed by the principal as pre-approval of IAF expenditures and also prior to disbursement of funds when paying MCPS i-Receiveables.

Aggregate school expenditures of IAF activities 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 from the Office of Finance (OOF) (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 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 in monitoring for proper compliance. We found that you exceeded the total amount allowed in Fiscal Year (FY) 2020, without approval of the OOF. We recommend that you adhere to the MCPS requirements, as well as correctly classify and record these transactions for more accurate accountability.

Notice of Findings and Recommendations

- All IAF disbursements must be documented, reviewed, and approved by the principal.
- Staff appreciation and meeting refreshment expenditures must be correctly classified and recorded and 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.

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 form, 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. Donna Redmond Jones, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools. Based on the audit recommendations, Dr. Redmond Jones 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:kmh:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Ms. Stratman

Dr. Wilson

Mrs. Williams

Mrs. Dyson

Mrs. Chen

Mr. Klausing

Mr. Marella

Dr. Redmond Jones

Mr. Reilly

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:	Fiscal Year:
School:	Principal:
OTLS Associate Superintendent:	OTLS 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 TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL	
<input type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director: _____ <i>Dominic Richmond Jones</i> _____	Date: _____