


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 6, 2023

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
September 1, 2020, through September 30, 2023

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 10, 2023, meeting with you; Mrs. Latina Bobo, assistant school administrator; Mr. Dwan K. Noland, school administrative secretary (secretary); and Mrs. Sandra L. Windlan, visiting bookkeeper, we reviewed the prior audit report dated January 5, 2021, and the status of the present conditions. It should be noted that Mr. Noland's assignment was effective on July 31, 2023. 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

School Financial Training (SFT) Part I, is required for principals within their first year of assignment. Refresher training is recommended every three years because policies, regulations, procedures, and technology applications are continuously updated (refer to the *MCPS Financial*

Manual, chapter 1, page 10). We noted that you have not taken the SFT Part I since 2009. We recommended that you immediately sign up to take SFT Part I.

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 always being used. We recommend sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account 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 secretary will then mark the documentation as “paid” prior to disbursing the funds. Disbursements made by Automated Clearing House (ACH) drawn on the school’s IAF bank account, regardless of the documentation that approved the procurement of goods and services, are required to be approved by the principal using MCPS Form 280-54, with a summary spreadsheet detailing the IAF account(s) to be charged, prior to expenditure of funds (refer to the *MCPS Financial Manual*, chapter 20, page 6). In your action plan, you indicated that all purchases would be pre-approved and that MCPS Form 280-54 would be prepared for all iPayment invoices. In our sample of disbursements, we found instances in which purchases were not pre-approved, MCPS i-Payment invoices had not been reviewed and authorized for payment by the principal, MCPS 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 all MCPS iPayments be reviewed and approved by principal using MCPS Form 280-54, 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.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card Users 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, or the statement of account landscape report, 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. We found that your prior secretary had not promptly prepared their

monthly statements, provided descriptions of items purchased, indicated IAF account numbers when required, attached their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the principal had not reviewed or approved all transactions online. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements

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 from the chief financial officer (CFO) (refer to the *MCPS Financial Manual*, chapter 20, page 5). These expenditures must be appropriately recorded in accordance with the IAF chart of accounts. In your action plan, you indicated that all staff appreciation/meeting refreshment expenditures would be correctly recorded and would stay within the guidelines. We found that you exceeded the total amount allowed in Fiscal Year 2023, without approval of the CFO. 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.

Notice of Findings and Recommendations

- SFT Part I is required for the principal every three years.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the financial agent.
- All IAF disbursements must be documented, reviewed, and approved by the principal including MCPS i-Payments (**repeat**).
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made and purchaser must confirm receipt of goods or services prior to disbursement.
- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide*.
- Staff appreciation and meeting refreshment expenditures must be correctly classified and recorded, and cannot exceed \$60 per individual staff member per fiscal year without prior approval of the CFO (**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. E. Lancellotti Dempsey, acting associate superintendent of school support and well-being, Office of School Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Ms. Dempsey 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:PJM:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Dr. Collins

Mr. Hull

Dr. Kimball

Mr. Stockton

Mrs. Williams

Ms. Dempsey

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 12/6/23	Fiscal Year: 23-24
School or Office Name: Galway Elementary	Principal: Dorothea Fuller
OSSWB Associate Superintendent: Lance Dempsey	OSSWB Director: Lance Dempsey
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>9/2020-9/2023</u>, 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
Provide monthly account history reports to sponsors for affirmation of transaction correctness and returned to the administrative secretary.	Secretary	1. Forms 2. Admin Secretary		Monthly meeting with principal & secretary to review transactions	Signed & Dated Forms
Purchase requests must be approved by the principal prior to procurement including MCPS iPayments,	Secretary & Principal		280-54 forms	Monthly meeting with principal & secretary for review	Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver.
Annotate purchase invoices and receipts as paid to indicate disbursement was made and purchaser must confirm receipt of goods or services prior to disbursement. Summer Plan for package reimbursement	Secretary			Monthly Meeting with principal & secretary for review	Completed Forms
Purchase card activity will be in compliance with rules and processes	Principal Assistant Principal Secretary		Monthly Statements	Monthly by Principal	Completed forms

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Keep staff appreciation and meeting refreshments at the \$60 limit. Make request to increase amount of funds due to part-time staff and TPT staff	Principal Secretary		Excel spreadsheet	Principal monthly meeting with administrative team and secretary	Monthly Report Request Memo

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved
 Please revise and resubmit plan by _____

Comments:

Director: Janice Dempsey Date: 1-10-24