


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 27, 2019

MEMORANDUM

To: Mr. Daniel K. Tucci, Principal
Garrett Park Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2016, through October 31, 2019

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, 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 11, 2019, meeting with you; Mrs. Melanie S. Bachrach, assistant principal; Mrs. Mary G. Ahearn, visiting bookkeeper; and Mrs. Wynn F. Gambrell, school administrative secretary, we reviewed the prior audit report dated October 19, 2016, and the status of present conditions. It should be noted that Mrs. Gambrell's assignment as school administrative secretary was effective on August 27, 2018. 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

Internal control is a process of interconnected policies, regulations, and procedures, as well as employees' attitudes and actions that work together to provide a system of checks and balances to achieve proper authorization of expenditures and safeguarding of assets. The principal is the

individual who has the overall fiduciary responsibility for the IAF (refer to the *MCPS Financial Manual*, chapter 20, page 4). We noted an absence of controls over IAF operations resulting in untimely bank deposits, as well as poor maintenance of financial records. You must initiate a monitoring process to enforce IAF policies, regulations, and procedures in order to promote timely and accurate reporting of data.

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, bank reconciliation report, and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date (refer to the *MCPS Financial Manual*, chapter 20, page 9). Although these reports were prepared monthly by the school's visiting bookkeeper, several reports had not been reviewed and signed by you. You must initiate a process that ensures this important internal control process occurs monthly.

Sponsors of school activities which 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 accounts or there is a balance in account. Sponsors are required to verify that transactions have been correctly recorded, sign, date and return. In your action plan dated November 11, 2016 you indicated that the administrative secretary would provide sponsors with monthly account history reports, follow up with sponsors when not returned, and file all reports in a binder organized by month. We noted that the former school administrative secretary did not provide account history reports to the sponsors. The school administrative secretary must prepare and deliver the monthly account history reports to the sponsors, and sponsors must review and resolve any discrepancies in their accounts and return the signed statements to the school administrative secretary who will file them for review by the Internal Audit Unit (refer to the *MCPS Financial Manual*, chapter 20, page 9).

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain the principal's approval to proceed with an intended purchase. After acquisition, the purchaser must submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the school administrative secretary. Upon disbursement, the documentation is to be stamped or marked "paid" to preclude duplicate payment (refer to the *MCPS Financial Manual*, chapter 20, page 6). In your action plan dated November 11, 2016 you indicated that all purchases would be preapproved, invoices would be marked as received, and all documentation would be stamped "paid". In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal, invoices were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received, and documentation supporting purchases were not stamped or marked "paid." All IAF purchases must comply with MCPS procedures.

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 tenth of the following month, using the online reconciliation program. We noted that some cardholders had not promptly prepared their monthly statements and provided their purchase receipts for timely approval. We also noted that some cardholders had not promptly reviewed their transactions in the online reconciliation program, and the principal had not approved all transactions by reviewing transactions online as required. Action must be taken immediately to correct these conditions and bring purchasing card usage into conformity with the *MCPS Purchasing Card User's Guide*. We also suggest you obtain additional training with the IAU team to eliminate outstanding transactions and institute procedures for staff to comply with MCPS purchase card requirements.

To properly control funds, all cash and checks collected by sponsors for IAF activities must be remitted promptly to the school administrative secretary. These funds must then be verified in the presence of the remitter and a receipt that is supported by MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, must be issued promptly (refer to the *MCPS Financial Manual*, chapter 7, page 4). In your action plan dated November 11, 2016 you indicated that staff would remit funds collected daily and that deposits would be made on a daily basis. We found instances in which funds were held by sponsors rather than being remitted on a daily basis to the school administrative secretary. We also found instances in which the former school administrative secretary did not deposit funds into the school's bank account. Specifically, cash, coins, and 229 checks (\$2,448.88) received from parents and vendors were found in files and boxes. Although the currency was deposited by Mrs. Gambrell, she could not deposit the checks because they were held in excess of 180 days. To minimize the risk of loss and provide availability of funds to meet school needs, all funds collected must be remitted daily to the school administrative secretary for prompt deposit.

Notice of Findings and Recommendations

- IAF must be managed in accordance with sound accounting practices and effective internal control procedures.
- Monthly financial reports must be signed and dated by the principal to indicate review.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the school administrative secretary (**repeat**).
- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchase invoices must be annotated as "paid" to indicate disbursement was made (**repeat**).
- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide*.
- Remitted funds must be promptly verified, receipted, and deposited daily in the bank by the school administrative secretary (**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 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 Mrs. Michelle E. Schultze, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mrs. Schultze 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 administrative secretary to support you with developing a well-defined plan to address the findings.

MJB:AMB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mr. Koutsos

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Reilly

Mrs. Schultze

Mr. Tallur

Mr. Marella

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY2020	Fiscal Year: FY2020
School: Garrett Park ES - 204	Principal: Daniel K.Tucci
OSSI Associate Superintendent: James P. Koutsos	OSSI Director: Michelle E. Schultze
Strategic Improvement Focus: As noted in the financial audit for the period <u>9/1/16 - 10/31/19</u> , strategic improvements are required in the following business processes :	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
In accordance with the MCPS Financial Manual, chapter 20, the admin. sec. will adhere to the overall fiduciary responsibilities of the role by making timely bank deposits as well as maintaining proper financial records and sponsor reports prepared by the visiting bookkeeper. All will be reviewed and signed by the principal before filing.	Administrative Secretary, Visiting Bookkeeper, Principal	MCPS Financial Manual	Monthly review of financial statements monthly and deposits	Principal, Visiting Bookkeeper on a monthly basis	Timely Deposits Signed monthly reports
The principal will review the bank statements, receipts and disbursements reports and bank reconciliations, all of which will be prepared by the visiting bookkeeper. The principals signature signifies the reports have been reviewed by signing and dating each one.	Visiting Bookkeeper, Principal	Monthly bank statements, prepared financial reports	Monthly communication with bookkeeper	Principal, Visiting Bookkeeper by the 20th of the month	Signed bank statements and financial reports will be filed together in their respective monthly folders and kept in the filing cabinet in the main office
The administrative secretary will provide sponsors with a monthly statement of their accounts and they will verify the accuracy of the transactions. After resolution of any discrepancies, the statements will be signed and dated by sponsors. The administrative secretary will file signed statements in a binder and keep with current year stmts.	Administrative Secretary and Sponsors	Monthly statements and binders	Binder reviewed during monthly meeting with Administrative Secretary	Principal, monthly	Completed binder of signed monthly statements will be kept in the filing cabinet located in the main office
The principal will ensure detailed documentation and rationale of requested purchase is attached to completed form 280-54 prior to signing. All supporting documentation will be attached to the reimbursement check prior to signing.	Administrative Secretary, Principal, staff requesting purchase	Form 280-54 supported by documentation of order	Completed 280-54, signed forms	Principal will review prior to giving permission to purchase and again when payment is made	Completed form 280-54, documentation of purchase, signed by receiver and stamped as paid

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchaser will confirm receipt of goods or services prior to disbursement. Purchaser will be sure to mark packing slips or any other ordering documentation as "received."	Purchaser, Administrative Secretary, Principal	Packing slip, other ordering documents, receipts	Packing Slips	Principal will review before signing checks for reimbursement	Orders marked as "received"
The administrative secretary will ensure that invoices/receipts are marked as "paid" at time of disbursement.	Administrative Secretary	Receipts for disbursement	Principal will review before signing disbursement checks	Principal, as needed	Invoices/receipts marked as "paid"
Purchase card activity will be monitored and approved by the principal. Principal will review requested credit card purchases and sign form 280-54. Once the purchase is made, the principal will review and approve the Purchase card activity online.	Principal	Form 280-54	Outlook calendar reminders	Principal, as needed	Approved transactions
Staff will remit funds to the administrative secretary on a daily basis. Cash and checks collected by sponsors will be counted in front of the admin. sec. and documented using form 280-34. Admin sec will sign form in the presence of sponsor, deposit money and place receipt in sponsors' box.	Administrative Secretary, Sponsors, Principal	Completed 280-34, receipts	Deposit packets	Administrative Secretary, Principal, Sponsor	Deposit packets reviewed and signed by principal

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL

Approved Please revise and resubmit plan by _____

Comments:

Director: _____



Date: 1-13-2020