

Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

December 31, 2020

MEMORANDUM

To: Mr. Scott R. Steffan, Principal  
Highland Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
October 1, 2017, through September 30, 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 and Mrs. Miriam D. Stewart, school administrative secretary (secretary), we reviewed the prior audit report dated November 2, 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

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 found that some cardholders

had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the principal had not approved all transactions online. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Controls over cash receipts need improvement. Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the secretary. Cash and checks (funds) remitted by sponsors must be promptly verified and receipted, prior to being deposited in the bank by the secretary. We noted that field trip sponsors continue to hold fees collected rather than remitting them to the secretary on a daily basis. We also noted that the secretary is making bank deposits prior to receipting the collected funds in the online accounting program. To improve controls, we recommend adoption of the procedures in the MCPS *Financial Manual, Chapter 7, page 5*.

#### Summary of Recommendations

- Purchase card transactions must be documented, reviewed, and approved by the principal.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*.
- Cash and checks (funds) collected by sponsors must be promptly remitted intact with MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, to the secretary.
- Cash and checks (funds) remitted by sponsors must be promptly verified and receipted, prior to being deposited in the bank by the secretary.

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. Peter O. Moran, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools. Based on the audit recommendations, Dr. Moran will indicate whether he 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:BK:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Ms. Stratman

Dr. Wilson

Mr. Scott R. Steffan

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December 31, 2020

Mrs. Williams

Mrs. Dyson

Mrs. Camp

Mrs. Chen

Mr. Marella

Dr. Moran

Mr. Reilly

Mr. Tallur

Ms. Webb

# Highland Elementary School

3100 Medway Street  
Silver Spring, Maryland 20902-2297  
240-740-1770

Montgomery County  
Public Schools

January 20, 2021

## MEMORANDUM

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

From: Scott Steffan, Principal 

Subject: Report on Audit of Independent Activity Funds for the Period October 1, 2017, through September 30, 2020.

### Findings and Recommendations

1. Auditor recommends that purchase card transactions be documented, reviewed and approved by the principal and activity complies with MCPS Purchasing User's Guide

**Response** - Purchase card transactions will be reviewed by the 5<sup>th</sup> business day of the following month by cardholders, and statements, receipts and invoices will be provided to the principal. Principal will review and approve purchase card transactions by the 10<sup>th</sup> of the following month.

2. Auditor recommends that funds collected from sponsors be promptly remitted daily to the secretary with MCPS form 280-34.

**Response** - Sponsors will continue to use MCPS Form 280-34, IAF Remittance Slip, to record names and sums collected daily and submit to the secretary for reconciliation of the activity.

3. Auditor recommends that funds collected, be promptly verified and receipted prior to being deposited.

**Response** - Cash and checks remitted by sponsors will continue to be verified by the secretary, and the collected funds will be receipted before the bank deposit is made.

SRS:

Copy to:  
Dr. Peter Moran, Director, OTLS

## FINANCIAL MANAGEMENT ACTION PLAN

**Report Date:** January 20, 2021

**Fiscal Year:** January 20, 2021 FY2021

**School:** Highland ES - 774

**Principal:** Scott Steffan

**OTLS**

**Associate Superintendent:** Cheryl Dyson

**OTLS**

**Director:** Dr. Peter Moran

**Strategic Improvement Focus:**

As noted in the financial audit for the period 10/1/17-09/30/20, 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
Purchase card transactions will be reviewed by cardholders by the 5th business day of the following month and statements, receipts and invoices will be submitted to the principal for approval.	All cardholders Principal			All cardholders will review transactions by the 5th business day of the following month	Principal will review and approve purchase card transactions by the 10th of the following month
Sponsors to remit funds collected promptly to the administrative secretary with MCPS Form 280-34 daily .	Sponsors and Administrative secretary			Administrative secretary to do reconciliation of the activity	Sponsors to remit funds and comprehensive data collected on a daily basis for reconciliation
Collected funds to be verified and receipted before bank deposit is made	Administrative secretary			Administrative secretary	Administrative secretary will verify collected funds from sponsors and prepare receipts before deposit is made

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**

Approved
  Please revise and resubmit plan by \_\_\_\_\_

Comments:

Director: Peter O. Moran ovz Date: 01/28/21