

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

May 4, 2023

MEMORANDUM

To: Mrs. Hanna Yim, Principal
Highland View Elementary School

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



Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2020, through February 28, 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 April 26, 2023, meeting with you; Mrs. Tina P. Errigo, school administrative secretary (secretary); and Ms. Barbara L. Miller, visiting bookkeeper, we reviewed the prior audit report dated July 15, 2020, and the status of the present conditions. It should be noted that your appointment as principal was effective July 18, 2022. 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). 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 school secretary must mark the documentation as “paid.” In our sample of disbursements, we found instances in which controls over purchases were weakened that included documentation not adequate to assure the school benefited from the purchase, MCPS Form 280-54 not signed by the principal in advance of the purchase, and documentation not annotated by the recipient to indicate purchased goods or services were satisfactorily received. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAFs. We recommend that MCPS Form 280-54 be prepared by staff with an estimate and signed by you at the time verbal approval is sought and that complete documentation should be attached to fully explain the reason for the purchase. We further recommend that when goods are received at the school that the purchase be verified as complete by the recipient and that the invoice/packing slip be marked “received” and signed/dated by the recipient. Requiring invoices to be marked “received” insures that goods or services have been satisfactorily received prior to payment.

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 (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 that you exceeded the total amount allowed in Fiscal Year (FY) 2022, without approval of the OOF. 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.

The MCPS Purchasing Card Program streamlines the process for making low-dollar purchases that are necessary for MCPS operations. Use of the purchasing card does not relieve the cardholder from complying with all MCPS regulations, the procedures in the *MCPS Procurement Manual*, or the *MCPS Financial Manual*. An example of items excluded from the Purchasing Card Program include purchase of furniture. In the review of your purchase card transactions, we found that you purchased conference room chairs using the JP Morgan purchase card and charged an incorrect account. We also found that cardholders did not always mark invoices as received, include the IAF account number when required, staff or students, or detailed description of what was purchased. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, to the secretary on the day the funds are received. The funds must be taken to the bank when funds exceed the allowable Cash Handling Authority as well as the last working day of each month and before the weekend or holiday. We found instances in which staff collecting funds were holding funds rather than remitting them daily to the secretary. We also found that the secretary was not

taking funds to the bank timely and at times held funds over the allowable amount. We recommend that all staff who collect funds for school activities be reminded of remittance requirements and that the secretary takes funds to the bank when amounts exceeds the Cash Handling authority limit, and always by the last working day of each month and before each weekend or holiday (refer to the *MCPS Financial Manual*, chapter 7, page 3).

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 secretary at the completion of each trip, and compared to remittances recorded in the trip account history report (refer to the *MCPS Financial Manual*, chapter 20, page 10). We found that not all sponsors are providing completed data at the conclusion of each trip, field trip fees were not always being remitted in a timely manner, and that data is not being compared to the final account history report. All sponsors must be required to use MCPS Form 280-41, or equivalent, and all fees collected must be remitted daily to the secretary for prompt deposit. We recommend that trip sponsors be required to provide complete data at the conclusion of each trip, and this data be reconciled by the secretary with remittances recorded in activity accounts.

Notice of Findings and Recommendations

- All purchases must be preapproved by the principal prior to purchase using MCPS Form 280-54.
- 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.
- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide*.
- Cash and checks (funds) collected by sponsors must be promptly remitted to the secretary and deposited timely (**repeat**).
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and secretary must reconcile funds collected with account history report.

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 Dr. Peter O. Moran, 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, 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 secretary to support you with developing a well-defined plan to address the findings.

MJB:BK:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. Hull

Dr. Murphy

Ms. Reuben

Mr. Stockton

Mrs. Williams

Dr. Moran

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY 23	Fiscal Year: FY 23
School: Highland View ES - 784	Principal: Hanna Yim
OSSWB Associate Superintendent: Peter Moran	OSSWB Director: Peter Moran
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>3/2020- 2/2023</u>, strategic improvements are required in the following business processes :</p>	

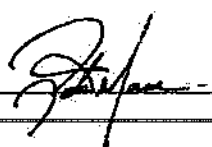
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchase requests must be approved by the principal prior to procurement.	Principal	MCPS Form 280-54	MCPS Form 280-54, documentation of purchase, and receipt of purchase, signed by receiver	Principal and Administrative secretary as needed	Completed MCPS Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver
Staff appreciation and meeting refreshments will not exceed \$60.	Principal and administrative secretary	None	Monthly meeting with Administrative Sec. and principal to check balances	Principal and Administrative secretary monthly	Monthly account balance information from SFO
Staff appreciation and meeting refreshments will be correctly classified and recorded	Principal and administrative secretary	None	Monthly meeting with Administrative Sec. and principal to check balances	Principal and Administrative secretary monthly	Monthly account balance information from SFO
Purchase card activity will comply with the MCPS Purchasing Card User's Guide.	Administrative secretary	None	Administrative secretary will review and approve transactions in a timely manner.	As needed/ monthly	Review type of transactions during monthly meetings

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
During a staff meeting, all staff were informed that when any funds are collected, they must be turned into the office by 12PM. When there are funds, the administrative secretary will go to the bank daily.	Administrative secretary	None	Daily funds submission, deposits daily as needed, last working day of the month, and before holidays and weekends	Administrative secretary, daily	Receipts of funds submitted Bank deposit statements
Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and secretary must reconcile funds collected with account history report. Staff were informed of new process during staff meeting.	Administrative secretary	None	Sponsors will use MCPS Form 280-41 to record trip fees and provide complete data at the end of each trip.	Administrative secretary as needed	Completed Form 280-41 and any additional documents relevant to each trip

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved Please revise and resubmit plan by _____

Comments: _____

Director:  Date: 7/13/23