


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

September 11, 2020

MEMORANDUM

To: Ms. Rose S. Alvarez, Principal
Lakelands Park Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
August 1, 2018, through June 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 September 1, 2020, meeting with you and Mr. Danilo J. Santos Rodriguez, school financial specialist, we reviewed the prior audit report dated October 17, 2018, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2020. It also should be noted that your school financial specialist's assignment was effective July 13, 2020. 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 MCPS Form 280-46 *Independent Activity Funds (IAF) Request for Payment to MCPS Employees for Services (Work) Performed*, to compensate employees with IAF, must be in accordance with MCPS pay rate guidelines and payroll processes (refer to the MCPS Regulation DIA-RB, *Payments for Services and Reimbursements for Expenses from School Independent*

Activity Funds). We found that an employee was paid for services as a club sponsor using MCPS form 280-46 instead of being paid as an Extracurricular Activity (ECA) Class I activity. According to the ECA program handbook, Class I stipends are to be paid at the rate of \$15 an hour for no more than 100 hours per activity. We found that this employee was paid for a total of 95 hours at the rate of \$16 an hour. The guidelines outlined in the ECA program handbook must be adhered to and include the club sponsor in your Class I ECA plan for Fiscal Year 2021.

Notice of Findings and Recommendations

- Payment to employees for ECA services needs to be included on ECA plan and paid according to guidelines.

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. Rotunda Floyd-Cooper, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools. Based on the audit recommendations, Dr. Floyd-Cooper 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 financial specialist 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

Dr. Johnson

Dr. Wilson

Mrs. Ahn

Mr. Koutsos

Mrs. Camp

Mrs. Chen

Mr. Marella

Dr. Floyd-Cooper

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 10-07-2020	Fiscal Year: FY21
School: Lakelands Park Middle School - 522	Principal: Rose Alvarez
OTLS Associate Superintendent: James Koutsos	OTLS Director: Rotunda Floyd-Cooper
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>8/1/18-6/30/20</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
Process all the payments according to the MCPS policies and procedures.	Alvarez/Santos	Extracurricular Activities Program (ECA Guide)	Extracurricular Activities Program (ECA Guide), and all required forms.	Alvarez, 10/1/2020	ECA Payroll and documentation
Rename the existing accounts and follow these recommendations for the new accounts.	Danilo Santos	Verify accounts on SFO	SFO System.	Alvarez 11/1/2020	Printed list of accounts
Inactivate the accounts with no activities during the last year.	Danilo Santos	Verify accounts on SFO	SFO System.	Alvarez 11/1/2020	Printed list of accounts
Follow the MCPS policies, and get the required signatures for the bank reconciliation process and related reports.	Marykay Jebroun and Rose Alvarez.	Use the end of the month checklist as guidance.	SFO System.	Alvarez 10/1/2020	Monthly checklist

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Type in a consistent and detailed reference/description for each journal entry.	Danilo Santos	SFO journal entries.	SFO System.	Alvarez, 10/1/2020	SFO System
Admin secretary will prepare the bank reconciliation report. SFS ensures the monthly bank reconciliation is filed in the SFS office by 20th of the month.	Marykay Jebroun, Admin secretary.	Bank reconciliation on SFO.	SFO System.	Alvarez, 10/1/2020	Bank reconciliation reports
The voided checks will be processed on SFO according to the MCPS policies and procedures.	Danilo Santos	VOIDED checks on SFO.	SFO System.	Alvarez, 10/1/2020	SFO System
All the purchase request forms 280-54, will be approved prior the purchase. Annual staff training about the finance procedures.	Danilo Santos, Rose Alvarez	280-54 form, Independent activity funds request for a purchase. Create presentation and time on preservice agenda.	280-54 form, Independent activity funds request for a purchase.	Alvarez, 9/30/2021	Sign in sheet for annual training, dated 280-54 forms
All the items ordered and delivered will have the receiver signature and date of delivery. Update receiving procedures for building service and main office staff so that all deliveries from outside MCPS go to SFS first.	Rose Alvarez, Building Services, Main Office staff, Danilo Santos	Invoices and delivery packing slip. Email from principal to staff with procedures for receiving deliveries	Receiver signature and date of delivery in the invoice or packing slip. Email.	Alvarez, 11/1/2020	Email, signatures on invoice/slips

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
No food will be purchase to re-sell without meet the MCPS nutrition guidelines. Annual staff training about the finance procedures.	Danilo Santos, Rose Alvarez	No food will be purchased to re-sell without meeting the MCPS nutrition guidelines. Training materials and sign-in sheet.	Purchasing request from the staff/admin. Create presentation and time on preservice agenda.	Alvarez, 9/30/2021	Training sign-in, purchasing request forms
All the more than one-time payments to the same vendor will be added on SFO prior the payment.	Danilo Santos	Pending payments to the staff.	SFO System.	Alvarez, 10/1/2020	SFO System
All the get well, sympathy or gifts will be purchase from the staff social committee.	Danilo Santos and admin.	280-54 purchase request sent to financial office.	Purchasing process.	Alvarez, 10/1/2020	280-54 forms
All the commission funds will be spent from the originating account.	Danilo Santos.	Commission accounts on SFO.	SFO System.	Alvarez, 10/1/2020	SFO System
Review and approve these pending transactions in JP Morgan Payment Net.	Danilo Santos, May Huang, Rui Tsai, and Rose Alvarez	JP Morgan Payment Net.	JP Morgan Payment Net.	Alvarez, 12/31/2020	JP Morgan Net

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
The Statement of Account Landscape will be signed as received. The future purchase from Amazon and any other website, will have the invoice copy attached and will be signed as received.	Danilo Santos and Ms. Alvarez	JP Morgan Payment Net, and any online purchase.	JP Morgan Payment Net, and any online purchase.	Alvarez 10/1/2020	Statements of account
Sale tax payment will be filed and pay before the due date, July 20th.	Danilo Santos	Sale tax payment spreadsheet.	Sales tax payment website.	Alvarez 7/30/2021	Sale tax payment spreadsheet
The future contracts will be storage in the files, in their respective assigned folder.	Danilo and account sponsor.	Office files.	Office files.	Alvarez 10/1/2020	Office files
We will review the files, and make the requested correction as needed.	Danilo Santos and Ms. Alvarez	SFO AFI Theatre field trip account.	SFO System.	Alvarez 10/1/2020	SFO Account

OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL

Approved Please revise and resubmit plan by _____

Comments: _____

Director: Rotunda Floyd-Cooper Date: 10/9/20