


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

February 14, 2022

MEMORANDUM

To: Ms. Teri D. Johnson, Principal  
Lake Seneca Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
January 1, 2019, through December 31, 2021

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 fund-raisers. 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 January 29, 2021, meeting with you, and Mrs. Deborah A. Ray, school administrative secretary (secretary), we reviewed the prior audit report dated February 26, 2019, 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

The principal shall designate, in writing, school employees who are authorized to sign checks. Their signatures, and that of the principal's, shall be entered on a signature card filed with the financial institution and a copy must be retained on file at the school. Any delegation impacting IAF actions shall be updated each fiscal year and filed in the school financial office (refer to the *MCPS Financial Manual*, chapter 20, page 6). We noted that the signature card on file only had

two signatures on it. We also found there was no delegation for an administrator to sign checks in your absence. At the beginning of each fiscal year, we recommend that you sign a memorandum designating an administrator to sign checks in your absence. We also recommend that you add your assistant principal to the bank signature card so that you have three staff members available to sign checks.

Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, 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. Purchasers must sign invoices to indicate satisfactory receipt of goods or services prior to payments being processed. We recommend that when goods are received at the school, 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” 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 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 10th of the following month, using the online reconciliation program. The principal’s card transactions are to be reviewed and approved by Dr. Rotunda Floyd-Cooper, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools. We found that you and the secretary had not prepared the monthly statements, provided purchase receipts, or reviewed transactions in the online reconciliation program until the time of audit. We also found that you had not approved any transactions online because the secretary had not reviewed her transactions. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Sponsors of field trips must have a complete class or club roster of student names and annotate how much each student paid, date paid, 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 *MCPS Financial Manual*, chapter 20, page 10). We found that not all sponsors were providing completed data at the conclusion of each trip, and that data was not always being compared to the final account history report. We recommend that all sponsors be required to use MCPS Form 280-41: *Field Trip Accounting*, or equivalent, and follow the procedures outlined above. In addition, we recommend that the secretary completes a reconciliation of field trip activity as soon as the final comprehensive data is received from the sponsor.

Notice of Findings and Recommendations

- The principal shall delegate in writing, each fiscal year, the administrator(s) authorized to sign checks in his/her absence.
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchase card transactions must be documented, reviewed, and approved by the principal and cardholder in the online program.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and the secretary must reconcile funds collected with an account history report. (**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 Dr. Floyd-Cooper for written approval of your plan. 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 administrative secretary to support you with developing a well-defined plan to address the findings.

MJB:PJM:lsh

Attachment

Copy to:

Members of the Board of Education  
Dr. McKnight  
Mr. D'Andrea  
Ms. Dawson  
Ms. Reuben  
Mrs. Williams  
Mr. Koutsos  
Mr. Reilly  
Mrs. Chen  
Mrs. Eader  
Dr. Floyd-Cooper  
Mr. Klausling  
Mrs. Ripoli  
Ms. Webb

**FINANCIAL MANAGEMENT ACTION PLAN**

**Report Date:**

**Fiscal Year:**

**School:**

**Principal:**

**OTLS**

**Associate Superintendent:**

**OTLS**

**Director:**

**Strategic Improvement Focus:**

As noted in the financial audit for the period \_\_\_\_\_, 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

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OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL	
<input type="checkbox"/> <b>Approved</b>	<input type="checkbox"/> <b>Please revise and resubmit plan by</b> _____
Comments: _____ _____	
Director: <u>Rotunda Floyd-Cooper</u>	Date: _____