


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

April 27, 2022

MEMORANDUM

To: Mrs. Elissa M. Royall, Principal
Oakland Terrace Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2019, through March 31, 2022

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 April 25, 2022, meeting with you; Mr. Andrew E. Howard, assistant principal; Mrs. Katherine D. Hill, school administrative secretary (secretary); and Mrs. Sandra L. Windlan, visiting bookkeeper, we reviewed the prior audit report dated June 13, 2019, and the status of present conditions. It should be noted that your appointment as principal was effective March 12, 2021. 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

Disbursements made by Automatic Clearing House (ACH) drawn on the school's IAF bank account, regardless of the documentation that approved the procurement of goods and services, are required to be approved by the principal using MCPS Form 280-54, *Independent Activity Funds*

Request For A Purchase, with a summary spreadsheet detailing the IAF account(s) to be charged, prior to the expenditure of funds (refer to the *MCPS Financial Manual*, chapter 20, page 6). Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. Upon disbursement, the secretary will stamp or mark the supporting documentation as “paid. 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 supporting documentation was not consistently stamped “paid”. Purchasers must sign invoices to indicate satisfactory receipt of goods or services prior to payments being processed. All receipts and invoices must be stamped “paid” upon issuance of the check. We also found that the IAF disbursements for MCPS iPayment invoices have not been reviewed and authorized for payment by the principal. The principal must adhere to the MCPS requirements for these disbursements. We 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” ensures that goods or services have been satisfactorily received prior to payment. We also recommend that documentation be stamped or marked “paid” upon issuance of the check (refer to the *MCPS Financial Manual*, chapter 20, page 6).

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. We found that your secretary was not preparing her monthly statements, providing purchase receipts, or reviewing transactions in the online reconciliation program in a timely manner. 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.

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the secretary. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (refer to the *MCPS Financial Manual*, chapter 7, pages. 4-5). We found that staff were at times holding funds and not remitting to the secretary when received. We also noted that funds had been held by the secretary over the allowable Cash Holding Authority (CHA). To minimize the risk of loss, all funds collected must be remitted daily and deposited to the bank promptly.

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement and documented on MCPS form 280-54.
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made (**repeat**).

- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide* (**repeat**).
- Cash and checks (funds) collected by sponsors must be promptly remitted to the secretary and deposited promptly (**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. Peter O. Moran, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, 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:lsh

Attachment

Copy to:

Members of the Board of Education
Dr. McKnight
Mr. D'Andrea
Dr. Dawson
Ms. Reuben
Mrs. Williams
Dr. Dyson
Mr. Reilly
Mrs. Chen
Mrs. Eader
Mr. Klausling
Dr. Moran
Mrs. Ripoli
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:	Fiscal Year:
School:	Principal:
OTLS Associate Superintendent:	OTLS Director:
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period _____, 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

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OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director: <u> Peter O. Moran </u> <small>ovz</small>	Date: <u> 05/26/22 </u>