MEMORANDUM

To: Mrs. Carla Glawe, Principal
    Olney Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
        May 1, 2018, through February 28, 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 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 6, 2021, virtual meeting with you, and Mrs. Brittany L. Tull, school administrative secretary (secretary), we reviewed the prior audit report dated June 27, 2018, which had no reportable findings, 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

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). Regardless of the documentation that approved the procurement of goods and services, all disbursements from a school’s IAF, other than for petty cash items, must be approved by the principal using MCPS Form 280-54, prior to disbursement of funds. MCPS
iPayment disbursements made by Automated Clearing House (ACH) with multiple IAF accounts to be charged should include a summary spreadsheet detailing the IAF account(s) to be charged with the principal’s approved Form 280-54 for the total disbursement. In our sample of disbursements, we found that the IAF disbursements for MCPS iPayment invoices had not been reviewed and authorized for payment by the principal. We recommend that MCPS Form 280-54 be prepared and signed by the principal prior to disbursement of funds when paying MCPS iPayments.

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 signed by the receiver to indicate goods or services were received and supporting documentation was not always 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 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).

Notice of Findings and Recommendations

- Check disbursements must be documented using MCPS Form 280-54.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made.

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 Mr. Eric Wilson, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Mr. Wilson 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:ls

Attachment
Copy to:
Members of the Board of Education
Dr. Smith
Dr. McKnight
Ms. Stratman
Dr. Wilson
Mrs. Williams
Mr. Koutsos
Mrs. Chen
Mr. Klausing
Mr. Marella
Mr. Reilly
Mr. Tallur
Mr. Wilson
Ms. Webb
### Strategic Improvement Focus:
As noted in the financial audit for the period 2018-2021, strategic improvements are required in the following business processes:

<table>
<thead>
<tr>
<th>Action Steps</th>
<th>Person(s) Responsible</th>
<th>Resources Needed</th>
<th>Monitoring Tools / Data Points</th>
<th>Monitoring: Who &amp; When</th>
<th>Results/Evidence</th>
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<tbody>
<tr>
<td>Staff who purchased items and are seeking reimbursement will have the items</td>
<td>Admin and Admin Sec</td>
<td>Share process</td>
<td>Share process with staff</td>
<td>Glawe when the form</td>
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<td>shipped to the school where administration and admin secretary will inventory</td>
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<td>with staff</td>
<td>4/2021 Weekly Bulletins</td>
<td>us submitted</td>
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<td>the items prior to disbursement.</td>
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<td>Pre-Service</td>
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<tr>
<td>Admin Secretary will stamp &quot;paid &quot;upon receipt of the goods on the receipt</td>
<td>Admin Sec or Admin</td>
<td>Paid stamp</td>
<td>Each time a purchase is</td>
<td>Glawe review receipts</td>
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<td>and the completed/signed form 280-54</td>
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<td>delivered and reimbursement is</td>
<td>with admin sec</td>
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<td>Check Disbursements will be documented by using form 280-54</td>
<td>All staff</td>
<td>Forms, process</td>
<td>Approval prior for all</td>
<td>Glawe when form</td>
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<td>purchases</td>
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<td>Principal and admin sec will attend financial training</td>
<td>Admin</td>
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**OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL**

☑ Approved  □ Please revise and resubmit plan by ________________

Comments:

Director: ________________  Date: 5/3/2021