


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

January 3, 2024

MEMORANDUM

To: Mr. Douglas M. Robbins, Principal
Poolesville Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2020, through September 30, 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 December 7, 2023, meeting with you, and Ms. Jessica D'Aiutolo, school administrative secretary (secretary), we reviewed the prior audit report dated December 8, 2020, and the status of the 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

Effective internal control includes the receipt and review by the principal of the ledger reports, the bank reconciliation report, and all bank statements, to determine the agreement between these reports indicating accurate financial reporting and fiscal management of the IAFs. We found that the month end file contained ledger reports and bank statements that were not always signed and dated by the principal. We recommend that the principal exam and compare the ledger reports with

the bank reconciliation reports/statements to determine that they are in balance, and sign and date the reports indicating they have been reviewed and are accurate. This process is an important month end internal control business practice (refer to the *MCPS Financial Manual*, chapter 20, page 9).

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 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 secretary will then mark the documentation as “paid” prior to disbursing the funds. In our sample of disbursements there were instances in which controls over purchases were weakened. We found that most of the MCPS Form 280-54’s were being completed by the secretary, not the requester, reimbursement requests were not being pre-approved by the principal, documentation was missing or not adequate to assure the school benefited from the purchase, documentation supporting purchases were not stamped or marked “paid”, and invoices to include online purchases were not always signed by the receiver to indicate goods or services were received, and that payment could be processed. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditure and signed by the principal at the time approval is sought and prior to procurement of goods/services. Additionally, we recommend that the secretary reviews the form for accuracy prior to presenting to the principal for approval. We also recommend that all support documents be marked paid, and 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 sign/dated by the recipient. Requiring invoices to be marked “received” ensures that goods or services have been satisfactorily received prior to payment.

If an independent contractor is not currently listed in School Funds Online (SFO) as a districtwide vendor, Internal Revenue Service (IRS) Form W-9 must first be obtained and forwarded to the Division of Controller (DOC) prior to making any payments. The DOC annually reviews payments made to all districtwide vendors for issuance of IRS Form 1099 in compliance with federal tax reporting requirement (refer to the MCPS Regulation DIA-RB, *Payments for Services and Reimbursements for Expenses from School Independent Activity Funds*). Additionally, any goods or services procured from any MCPS employee, a member of any MCPS employee’s immediate family, or any business entity (for profit or not-for-profit) in which any MCPS employee or MCPS employee’s immediate family has any amount of ownership in or influence over requires the Principal to obtain prior written authorization from the Board of Education (BOE) ethics officer (refer to the *MCPS Financial Manual*, chapter 20, page 6). We noted that payments for services were paid to an MCPS employee that did not follow these procedures. We recommend that payments for personal services are reported to the DOC in compliance with the applicable regulations and procedures (refer to the *MCPS Financial Manual*, chapter 20, page 15). We also recommend acquiring the BOE ethics officer approval to do business with an employee’s business prior to any future purchases to an MCPS employee for services from the IAF. If you receive approval then you must submit a W-9 to the controller’s office to establish the business as a districtwide vendor in SFO.

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 and FY 2023, 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.

In order to properly control receipts, funds must be remitted promptly to the secretary along with MCPS Form 280-34, *MCPS Remittance slip*. Large and infrequent deposits increase the possibility of loss of funds as well as decrease in the school's ability to fund activities. The secretary must go to the bank each day funds collected reach the allowable limit according to the Cash Handling Authority (\$50 in locked cabinet, \$250 in a safe), as well as by 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 sponsors collecting funds are not always remitting them promptly to the secretary, and the secretary was not always taking funds promptly to the bank resulting in funds being held over weekends and/or holidays. To improve controls and reduce risk of loss or theft, we recommend it is communicated to staff the importance of submitting cash and checks collected for IAF activities to the secretary daily and that time is allotted for the secretary to make timely deposits to the bank in accordance with MCPS policy and procedures.

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 *MCPS Financial Manual*, chapter 20, page 10). In your action plan, you again indicated that all staff would provide complete field trip accounting to your secretary at the completion of each trip. We found that not all sponsors are providing completed data at the conclusion of each trip, and that data is not being compared to the final account history report. We also noted that several students had been granted waivers, but MCPS Form 260-1 *Fee Waiver Record*, was not on file. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, provide complete data at the conclusion of each trip, and document any fee waivers on MCPS Form 260-1. This data must be reconciled by the secretary with remittances recorded in activity accounts at the conclusion of each trip.

Notice of Findings and Recommendations

- Monthly reports and bank statements must be signed and dated by principal.

- Purchases are not always pre-approved by the principal and supporting documentation not always adequate.
- Invoices/packing slips are not marked received and documentation not stamped Paid.
- MCPS Form 280-54 must be fully completed by requester and reviewed by secretary before principal's approval.
- Disbursement was made to an MCPS employee for services from IAF without obtaining proper documentation and approval.
- Staff appreciation/meeting refreshment amounts were overspent without obtaining proper approval from OOF.
- Sponsors must remit all funds daily and the secretary must make timely deposits.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and the administrative secretary must reconcile funds collected with account history report. All waivers must be documented using MCPS Form 260-1 (**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. Tabitha E. Campbell, director of school support and well-being, Office of School Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Dr. Campbell 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:LMB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Dr. Collins

Mr. Hull

Dr. Kimball

Mrs. Williams

Dr. Moran

Mr. Reilly

Mrs. Chen

Dr. Campbell

Ms. Eader

Mr. Klausung

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT PLAN

Report Date: 12/7/2023	Fiscal Year: 2023-2024
School: Poolesville Elementary School	Principal: Douglas Robbins
OSSWB Associate Superintendent: Dr. Peter Moran	OSSWB Director: Dr. Tamitha Campbell

Strategic Improvement Focus: As noted in the financial audit period October 1, 2020- September 30, 2023.

ACTION STEPS	PERSON RESPONSIBLE	MONITORING TOOLS DATA POINTS	MONITORING WHO/WHEN	RESULTS / EVIDENCE
FINDING: Monthly reports and bank statements must be signed and dated by principal.	Ms. D'Aiutolo will ensure all ledger reports and bank statements are always signed and dated by the principal.	IAF Monthly Reports	Ms. D'Aiutolo Effective Immediately Principal Douglas Robbins (Monthly)	Can be reviewed at the next audit.
FINDING: Purchases are not always pre-approved by the principal and supporting documentation not always adequate.	Prior to the purchase of any goods or services, MCPS Form 280-54 will be prepared by staff with an estimate of expected expenditure for principal approval. In addition, all documentation submitted, as well as the accuracy of MCPS Form 280-54 will be reviewed by Ms. D'Aiutolo before presenting to the principal for approval.	MCPS Form 280-54	Ms. D'Aiutolo Effective Immediately Principal Douglas Robbins Effective Immediately	Can be reviewed at the next audit.

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<p>FINDING: Invoices/packing slips are not marked received and documentation not stamped Paid.</p>	<p>When goods are received by the school, Ms. D'Aiutolo will verify each purchase as being complete by marking each packing slip "received" with date and signature. When disbursements are made, Ms. D'Aiutolo will ensure ALL documents are marked as "paid" with date and signature.</p>	<p style="text-align: center;">IAF ACCOUNT</p>	<p>Ms. D'Aiutolo Effective Immediately</p>	<p>Can be reviewed at the next audit.</p>
<p>FINDING: MCPS Form 280-54 must be fully completed by requester and reviewed by secretary before principal's approval.</p>	<p>Ms. D'Aiutolo will ensure MCPS Form 280-54 is accurately completed by requester before submitting for principal's approval.</p>	<p style="text-align: center;">MCPS Form 280-54</p>	<p>Ms. D'Aiutolo Effective Immediately</p>	<p>Can be reviewed at the next audit.</p>
<p>FINDING: Disbursement was made to an MCPS employee for services from IAF without obtaining proper documentation and approval.</p>	<p>Prior to any purchases to an MCPS employee for services from the IAF, Ms. D'Aiutolo will obtain prior written authorization from the Board of Education (BOE) ethics officer. If approval is granted, Ms. D'Aiutolo will submit a W-9 to the controller's office to establish the business as a districtwide vendor in SFO.</p>	<p style="text-align: center;">IAF ACCOUNT</p>	<p>Ms. D'Aiutolo (When Necessary) Principal- Douglas Robbins (When Necessary)</p>	<p>Can be reviewed at the next audit.</p>

FINANCIAL MANAGEMENT PLAN

<p>FINDING: Staff appreciation/meeting refreshment amounts were overspent without obtaining proper approval from OOF.</p> <p>(The water in the town of Poolesville is not drinkable)</p>	<p>Ms. D'Aiutolo will ensure that meetings and staff appreciation items will not exceed \$60 per individual staff member, per fiscal year. Mr. Robbins will also obtain prior written authorization from the Associate Superintendent of Finance (OOF) if needed.</p>	<p>IAF ACCOUNT</p>	<p>Ms. D'Aiutolo Effective Immediately</p> <p>Principal- Douglas Robbins (If Requesting)</p>	<p>Can be reviewed at the next audit.</p>
<p>FINDING: Sponsors must remit all funds daily and the secretary must make timely deposits.</p>	<p>Ms. D'Aiutolo will further communicate to staff the importance of submitting cash and checks collected for IAF activities each day. Deposits will be made on the same day money is remitted to Ms. D'Aiutolo.</p>	<p>IAF ACCOUNT</p>	<p>Ms. D'Aiutolo Effective Immediately</p>	<p>Can be reviewed at the next audit.</p>

FINANCIAL MANAGEMENT PLAN

<p>FINDING: Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and the administrative secretary must reconcile funds collected with an account history report. All waivers must be documented using MCPS Form 260-1</p>	<p>Sponsors will complete MCPS Form 280-41, Field Trip Accounting,(or its equivalent), providing a complete class list 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, All fee waivers will be documented on MCPS Form 260-1.</p> <p>Both MCPS Form 280-41 (or equivalent) and MCPS Form 260-1 must be submitted to Ms. D'Aiutolo to be reconciled with remittances recorded in activity accounts at the conclusion of each field trip.</p>	<p>MCPS Form 280-41</p> <p>MCPS Form 260-1</p>	<p>Ms. D'Aiutolo Each Field Trip Scheduled</p>	<p>Can be reviewed at the next audit.</p>
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FINANCIAL MANAGEMENT PLAN

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved

Please revise and resubmit by: _____

Director: *[Signature]*

Date: 2/11/24