


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

August 26, 2024

MEMORANDUM

To: Mrs. Lavina N. Carrillo, Principal  
Rock Creek Forest Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
April 1, 2022, through May 31, 2024

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 August 8, 2024, meeting with you; Mrs. Ramata Diop, school administrative secretary (secretary); and Mrs. Yvonne M. Spencer, visiting bookkeeper, we reviewed the prior audit report dated May 16, 2022, and the status of the present conditions. It should be noted that your appointment as principal was effective July 1, 2023, and Mrs. Diop's assignment as secretary was effective August 2, 2024. 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. It should also be noted that during the audit period there were two separate secretaries assigned to the school, and a period of time where the school was without an assigned secretary.

### **Findings and Recommendations**

Internal control is a process of interconnected policies, regulations, and procedures, as well as employees' attitudes and actions that work together to provide a system of checks and balances to achieve proper authorization of expenditures and safeguarding of assets. The principal is the individual who has the overall fiduciary responsibility for the IAF (refer to the *MCPS Financial Manual*, chapter 20, page 4). We noted an absence of controls over IAF operations resulting in untimely bank reconciliations, untimely bank deposits, lack of pre-approvals for disbursements, untimely payments to vendors to include MCPS, improper management of field trips as well as poor maintenance of financial records (see detailed findings below). The school must implement a monitoring process to ensure the enforcement of Board of Education policies and MCPS regulations and procedures, in order to promote timely and accurate reporting of data.

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 with a copy on file at the school. This list of check signers should be updated when the school's authorized employees change position assignments within the school or no longer are assigned to 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 included staff that were no longer assigned to the school and there was no delegation memo on file. We recommend that the school update the signature card with the bank to include the principal, current designated assistant principal, and administrative secretary. We also recommend if there is a change in staff assignment of any designated check signer that the school makes it a priority to update the signature card with the bank as soon as possible. Additionally, the principal must designate in writing an authorized bank signer to sign checks in their unforeseen absence each fiscal year. This document must be retained with the school's financial records.

Reconciliation of the school's monthly bank checking account statement must be completed by a person independent of the daily accounting transaction input. Monthly reports, including the bank reconciliation, are to be presented to the principal no later than the 20<sup>th</sup> of the month following the close of each month. The principal shall review these reports, sign and date them to indicate this review, and return them to the secretary to be filed with other monthly reports (refer to the *MCPS Financial Manual*, chapter 20, page 9). We found that bank reconciliations were not always completed timely. In addition, other monthly reports were not consistently signed and dated, or were signed late. We recommend that the school review and utilize the *End of the Month Checklist* found on the MCPS Business Center and reference Chapter 20, page 9 of the *MCPS Financial Manual* to ensure all required reports are prepared, reviewed, signed timely and filed for each month.

The monthly bank statement shall be delivered directly to the principal for review of statement, canceled checks, and other documents. The principal should have electronic access to the cleared checks through the bank's online banking system in order to identify the payee on any questionable check if check images have not been provided by the bank (refer to the *MCPS Financial Manual*,

chapter 20, page 9). Documents supporting the IAF reports are part of the financial records and must be maintained in the school office. Supporting documents include bank statements and copies of canceled checks. We noted that during the audit period the school was not receiving copies of canceled checks from the bank, which prohibited us from reviewing checks written during the audit period. We recommend that you request the bank to provide images of canceled checks each month or provide access to cleared checks through online banking system. Check images should be printed each month and presented to the principal for review along with the bank statement (refer to the *MCPS Financial Manual*, chapter 20, page 9).

Sponsors of school activities which involve the collection or disbursement of IAF must be provided an account history report for each month in which transactions have been recorded in their account or the account has a balance and be required to verify that transactions have been correctly recorded. We noted that the secretary did not provide account history reports to all sponsors. We did find that you were receiving your monthly account history reports and reviewing them. The secretary must prepare and deliver monthly account history reports to all sponsors, and sponsors must review and resolve any discrepancies in their accounts and return the signed statements to the secretary who will then file them for review by the Internal Audit Unit (refer to *MCPS Financial Manual*, chapter 20, page 10).

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, prior approval was not consistently obtained, MCPS Form 280-54 was not always signed and dated by the principal, and the secretary was not completing MCPS Form 280-54 for iPayments. We also noted instances where MCPS Form 280-54 was not completed and attached to the disbursement, and many check requests were not filled out completely by sponsors and the secretary. There were some disbursements in our sample that we were unable to locate in the school’s files. 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 verbal approval is sought, and that the secretary completes MCPS Form 280-54 for all iPayments. MCPS Form 280-54 must be completed in full by sponsor, secretary, and principal to include account name/number to be charged, the request date, the balance available in the account, and the signatures of the sponsor, secretary, and principal. After MCPS Form 280-54 is approved and payment is processed the secretary must complete part B to include the following information: check date, check number and check amount. We also recommend that all disbursement documents are retained with the school’s financial records.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card Users Guide*. By the 5th business day of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements, or the statement of account landscape report, 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 tenth of the following month, using the online reconciliation program. We found that some cardholders had not promptly prepared their monthly statements, provided description of items purchased, indicated IAF account number when required, attached their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the principal had not approved all transactions online. 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, along with a completed MCPS Form 280-34, *Remittance Slip*, on the day funds are collected to the secretary. These funds must be receipted in the school's accounting software program School Funds Online (SFO) and deposited promptly to the bank. All funds 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). The funds must be verified in the presence of the remitter, and a receipt must be issued promptly. In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and either place the sealed envelope in the school safe or receive written acknowledgement that it was provided to the secretary. We noted, at times, sponsors held funds collected rather than remitting them to the secretary on a daily basis. We also noted that funds were not always being verified at the time of receipt and that the secretary was not always making deposits promptly, on the last working day of each month and before each weekend or holiday. We recommend that staff be reminded to submit cash and checks collected for IAF activities to the secretary daily. The secretary must verify the funds with the remitter at time of receipt, and prepare for prompt deposit in accordance with MCPS policy and procedures.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms, signed by the principal, must contain all expense information, any subsidy information, and the field trip cost to be charged per student. The secretary must establish a separate account in the IAF for each trip. Sponsors of field trips must have a complete class or club roster of student names to annotate the amount each student paid, the 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 the *MCPS Financial Manual*, chapter 20, page 10). School Cash Online (SCO) item attachment report may replace the field trip accounting sheet as long as all eligible students have data entered such as paid, waived, scholarship or did not attend. This report must be reviewed and initialed by the sponsors. We found that not all field trip documentation was on file for Fiscal Year 2024 trips, not all sponsors were providing completed data at the conclusion of each trip, and that data was not being reconciled to the final account history report. In addition, SCO was not properly maintained to report all payments received at the school. We recommend that all trips be made available for payment on SCO, required documentation to be kept on file for audit, and that field trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent to provide complete data at the

conclusion of each trip. This data must be reconciled by the secretary with remittances recorded in activity accounts.

### **Notice of Findings and Recommendations**

- Overall management of IAF needs improvement to comply with Board policies and MCPS regulations and procedures.
- Bank signature card must be revised to remove staff no longer assigned to the school and add new designated authorized check signers.
- A delegation memo must be on file to designate a staff member to sign financial records in the absence of the principal for each fiscal year.
- Bank reconciliations must be completed by the 20<sup>th</sup> of the subsequent month being reconciled.
- Copies of cancelled checks must be included with bank statement for principal review each month.
- All monthly reports must be reviewed, signed and dated by the principal.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the secretary.
- Purchases must be pre-approved and documented on MCPS Form 280-54, including MCPS iPayments.
- Purchase card transactions must be documented, reviewed, and approved by the principal.
- Cash and checks (funds) collected by sponsors must be remitted daily, verified and receipted, and deposited promptly by the secretary.
- Field trip records prepared by sponsors must provide comprehensive data to account for all eligible to participate, including volunteers and chaperones, and secretary must reconcile funds collected with account history report.

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. Michael J. Zarchin, director of school support and improvement, Office of School Support and Improvement, for written approval of your plan. Based on the audit recommendations, Dr. Zarchin 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:LB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. Taylor

Ms. Alfonso Windsor

Ms. Dempsey

Ms. McGuire

Dr. Moran

Mrs. Williams

Dr. Campbell

Mr. Reilly

Mrs. Chen

Mr. Klausling

Mrs. Ripoli

Dr. Zarchin

Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> August 26, 2024	<b>Fiscal Year:</b> 2024-2025
<b>School or Office Name:</b> Rock Creek Forest Elementary School	<b>Principal:</b> Lavina Carrillo
<b>OSSWB Associate Superintendent:</b> Tamitha Campbell	<b>OSSWB Director:</b> Mike Zarchin
<b>Strategic Improvement Focus:</b> As noted in the financial audit for the period <u>4/1/22-5/31/24</u> , 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
Update the signature card with the bank to reflect current authorized signers (principal, designated assistant principal, and administrative secretary). File the updated delegation memo annually in the financial office.	Carrillo & Diop	Bank forms, MCPS Financial Manual (Chapter 20)	Annual signature card review, delegation memo documentation	Carrillo & Diop Annually by the start of each fiscal year	Updated bank signature card and delegation memo on file; adherence to MCPS Financial Manual guidelines.
Ensure monthly bank reconciliations are completed by the 20th of the following month, and the principal reviews, signs, and dates all monthly reports.	Carrillo & Diop	End of Month Checklist, School Funds Online	Monthly End-of-Month Checklist, bank reconciliation reports	Monthly review by the 20th	Timely completed and signed bank reconciliations and reports on file
Request bank to provide images of cancelled checks monthly. Print and review cancelled check images along with the bank statement.	Diop	Bank services, School Funds Online (SFO)	Bank statements with cancelled check images	Carrillo & Diop Monthly review	Cancelled check images included with bank statements for principal review
Prepare and deliver monthly account history reports to all sponsors. Ensure sponsors review, resolve discrepancies, and return signed statements to the secretary.	Diop & Sponsors	School Funds Online (SFO)	Account history reports, signed sponsor verification forms	Diop – Monthly	Signed and filed account history reports, documented corrections

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Ensure MCPS Form 280-54 is completed and approved for all purchases, including iPayments. Verify all required signatures and documentation are attached.	Sponsors, Diop, and Carrillo	MCPS Form 280-54, School Funds Online (SFO)	Review of disbursement documents and forms	Carrillo & Diop Monthly review	Fully completed MCPS Form 280-54s for all purchases, disbursement records filed
Cardholders to reconcile their statements by the 5th business day each month. Principal to review and approve transactions by the 10th of each month.	Diop, Brown (cardholders), Carrillo	MCPS Purchasing Card Users Guide	Monthly purchasing card statements and reconciliation logs	Carrillo Monthly review	Timely reconciled and approved purchasing card statements, compliance with MCPS guidelines.
Ensure that all cash and checks collected for IAF activities are remitted daily to the secretary, verified in the presence of the remitter, and deposited promptly.	Sponsors, Diop,	MCPS Form 280-34, School Funds Online (SFO)	Daily remittance logs, bank deposit slips	Diop - daily	Daily remittance slips, timely bank deposits, deposit records on file
Field trip sponsors to provide comprehensive data, including payments, waivers, and participant lists. Reconcile field trip funds with the account history report.	Sponsors, Diop,	MCPS Form 280-41, School Funds Online (SFO)	Field trip account history reports, payment data	Diop - After each field trip	Completed field trip documentation, reconciled payment data, and records filed for audit
Provide training to all staff on the correct procedures for handling funds, completing MCPS Form 280-54, and using School Funds Online (SFO).	Carrillo & Diop	MCPS Financial Manual, SFO training materials	Attendance logs for training, follow-up checks on procedural compliance	Carrillo & Diop - Quarterly	Improved compliance with financial procedures, reduced audit findings

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

**OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)**

☒ Approved      ☐ Please revise and resubmit plan by \_\_\_\_\_

Comments:

Director:                     M. Zarchin                          Date: 10/24/2024