


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 15, 2023

MEMORANDUM

To: Ms. Jada Langston, Principal
John L. Gildner Regional Institute for Children and Adolescents (RICA)

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

Subject: Report on Audit of Independent Activity Funds for the Period
June 1, 2021, through April 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 June 5, 2023, meeting with you and Mr. Timothy W. Hebron, school administrative secretary (secretary), we reviewed the prior audit report dated July 13, 2021, and the status of the present conditions. It should be noted that your appointment as acting principal was effective July 21, 2021, and as principal on May 11, 2022, and Mr. Hebron's assignment as secretary was effective November 9, 2022. 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). The purpose of each disbursement must be fully explained on this form in

order 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 addition, disbursements made by Automated Clearing House (ACH) for the payment of MCPS invoices are required to be approved by the principal using MCPS Form 280-54 (refer to the *MCPS Financial Manual*, chapter 20, page 6). In the school’s action plan, it was indicated that all purchase requests would be pre-approved by the principal prior to purchase, using MCPS Form 280-54 and purchaser would mark invoices to indicate satisfactory receipt. In our sample of disbursements, we found instances in which purchases were not always pre-approved, MCPS Form 280-54 was not prepared prior to paying MCPS invoices, and 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. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditure and signed/dated by the principal at the time verbal approval is sought. We also recommend that all MCPS iPayments be reviewed and approved by the principal using MCPS Form 280-54, that invoices for goods or services be verified as complete by the recipient, and that the invoice/packing slip be marked “received” and signed/dated by the recipient when goods are received at the school. Requiring invoices to be marked “received” ensures that goods or services have been satisfactorily received prior to payment.

The *MCPS Purchasing Card Program* streamlines the process for making low-dollar purchases that are necessary for MCPS operations. Use of the purchasing card does not relieve the cardholder from complying with all MCPS regulations, the procedures in the *MCPS Procurement Manual*, or the *MCPS Financial Manual*. In addition, the use of the MCPS purchasing card must be in accordance with the requirements of the *Montgomery County Public Schools 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, or the statement of account landscape report, must be printed and provided to the principal or delegated approver, with all purchase receipts and invoices attached. The principal or delegated approver must review each cardholder’s transactions and approve them by the 10th of the following month, using the online reconciliation program. In the school’s action plan, it was indicated that cardholders would print the statement of account landscape report with all purchase receipts and invoices attached and they would be reviewed and approved timely. We found not all cardholders promptly reviewed their transactions in the online reconciliation program. Also, we found that the approvers 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.

To properly control funds, all cash and checks collected by sponsors for IAF activities must be remitted promptly to the secretary. These funds must then be verified in the presence of the remitter and a receipt that is supported by MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, must be issued promptly (refer to the *MCPS Financial Manual*, chapter 7, page 5). Funds remitted by sponsors must be receipted in accounting software prior to being deposited in the bank by the secretary. In the school’s action plan, it was indicated that all receipts would be recorded in accounting software prior to bank deposit. In our sample of cash receipts, we noted that

the secretary took funds to the bank prior to recording in the accounting software. We recommend all remittances on hand must be promptly verified and receipted prior to bank deposit.

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchasing card activity must comply with the *MCPS Purchasing Card User's Guide* and other MCPS regulations (**repeat**).
- Funds remitted by sponsors must be promptly verified and receipted, prior to being deposited in the bank by the secretary (**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. Eugenia S. Dawson, director of school support and well-being, Office of Student Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Dr. Dawson 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 secretary to support you with developing a well-defined plan to address the findings.

MJB:HT:rg

Attachment

Copy to:

Members of the Board of Education
Dr. McKnight
Mr. Hull
Dr. Murphy
Ms. Morris
Mr. Stockton
Mrs. Williams
Mr. Reilly
Mrs. Chen
Dr. Dawson
Ms. Eader
Mr. Klausling
Mrs. Ripoli
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: July 11, 2023	Fiscal Year: 2022-2023
School:	Principal: Jada Langston
OSSWB Associate Superintendent: David Adams	OSSWB Director: Eugenia Dawson
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>2021-2023</u>, 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
Prior approval of purchase requests will be approved by the Principal	Jada Langston	n/a	Email sent to Principal to request to make a purchase at least 5 days prior	Jada Langston	Emails to show prior approval was given before purchase
Confirm receipt of goods prior to reimbursement	Jada Langston	n/a	when goods arrive to school Principal will open them and retrieve the receipt for review	Jada Langston	signature will be added to review of receipt from Principal for
Purchasing of goods will comply with the MCPS Purchasing Card User's Guide	Jada Langston	n/a	Principal will review the user guide to ensure purchases meet the MCPS policy	Jada Langston	All purchases will follow MCPS Policy
Sponsor funds submitted, verified and received within 24 hours of receipt	Jada Langston Timothy Hebron	n/a	Principal and Financial agent will ensure timely receipt, submission and verification of funds	Jada Langston	Forms will document all funds have been verified and submitted within 24 hours of receipt

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:  Date: 7/13/23