


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

January 6, 2023

MEMORANDUM

To: Mrs. Elise M. Burgess, Principal
Dr. Sally K. Ride Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2020, through November 30, 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 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 20, 2022, meeting with you; Mrs. Angie Robinson, assistant principal; Mrs. Barbara M. Ruppel, school administrative secretary (secretary); and Ms. Doris A. York, visiting bookkeeper, we reviewed the prior audit report dated March 9, 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

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. All disbursements from a school’s IAF, except those made from a school’s petty cash fund, will be made by check or Automated Clearing House (ACH) drawn on the school’s IAF bank account. 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 will be approved by the principal using MCPS Form 280-54, prior to expenditure of funds. Disbursements made by ACH with multiple IAF accounts to be charged, such as MCPS i-Payment are to include a summary spreadsheet detailing the IAF account(s) to be charged with the principal approved MCPS Form 280-54. In our sample of disbursements, we found instances in which controls over purchases were weakened including incidents where purchases were not preapproved, MCPS Form 280-54 was not prepared when paying iPayments, 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 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 by the principal at the time verbal approval is sought. MCPS Form 280-54 must also be prepared when paying iPayments. 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.

Payments for personal services must comply with federal tax requirements regarding the reporting of income and the withholding of taxes. In accordance with MCPS Regulation DIA-RB, *Payments for Services and Reimbursements for Expenses from School Independent Activity Funds*, payments to employees must be made through the HRIS Payroll system. We found that you had directly paid an MCPS employee out of the IAF. We recommend all payments to MCPS employees follow the payroll procedures outlined in above mentioned regulation.

Notice of Findings and Recommendations

- All IAF disbursements must be documented, reviewed, and approved on MCPS Form 280-54 by the principal.
- Purchase invoices and receipts must be annotated as paid and invoices must be marked as received.
- Payments to MCPS employees must be processed through the MCPS payroll system.

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. Rotunda Floyd-Cooper, associate superintendent 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. Floyd-Cooper 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:PJM:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. Hull

Dr. Murphy

Ms. Reuben

Mr. Stockton

Mrs. Williams

Dr. Floyd-Cooper

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2022

Fiscal Year: 2022

School: Dr. Sally K. Ride ES - 242

Principal: Mrs. Elise M. Burgess

OSSWB

Associate Superintendent: Dr. Murphy

OSSWB

Director: Dr. Floyd-Cooper

Strategic Improvement Focus:

As noted in the financial audit for the period 1/1/20-11/30/22, strategic improvements are required in the following business processes :

*IAF disbursements, purchase invoices and receipts, payments to MCPS employees

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
All IAF Disbursements must be documented, reviewed, and approved on MCPS Form 280-54 by the principal.	Principal Administrative Secretary	Form Reminder emails Process improvements	Double check system; i.e. no disbursements will occur without a 280-54 being submitted first.	Mrs. Burgess Mrs. Ruppel, as disbursements are requested	
Purchase invoices and receipts must be annotated as paid and invoices must be marked as received.	Principal Administrative Secretary	invoices submitted	When receipts are received, dates and initials will be placed on them and will be marked	Mrs. Ruppel and Mrs. Burgess, as receipts come in	
Payments to MCPS employees must be processed through MCPS payroll system	Principal Administrative Secretary	appropriate staffing for tutoring supports	Payroll sheets	Mrs. Burgess Mrs. Ruppel, as payroll occurs for tutoring throughout fiscal year	Completed-all tutors now go through ATS hiring process as per MCPS process, 2022-2023 school year

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OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____	
Director: <u> <i>Rotundo Floyd Cooper</i> </u>	Date: <u>3/14/23</u>