MEMORANDUM

To: Dr. Joey N. Jones, Principal
   Robert Frost Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
         November 1, 2018, through February 29, 2020

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 23, 2020, virtual meeting with you and Ms. Debra L. Yamada, school financial
specialist, we reviewed the prior audit report dated December 27, 2018, 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 6). 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. In our sample of disbursements, prior approval was not
consistently obtained and supporting documentation was not always marked to indicate satisfactory receipt of the goods or services. By requiring prior approval, the principal retains control over the expenditure of IAF funds. MCPS Form 280-54 must be prepared by staff with an estimate of expected expenditure and signed by the principal at the time verbal approval is sought. In addition, invoices need to show written indication that goods and services are received in the quantity and quality requested.

**Notice of Findings and Recommendations**

- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.

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 form, 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 Mrs. Jennifer L. Webster, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools. Based on the audit recommendations, Mrs. Webster 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:HT:sh

Attachment

Copy to:
  Members of the Board of Education
  Dr. Smith
  Dr. McKnight
  Dr. Johnson
  Mr. Turner
  Dr. Wilson
  Mrs. Ahn
  Mrs. Morris
  Mrs. Camp
  Mrs. Chen
  Mr. Marella
  Ms. McGuire
  Mr. Tallur
  Mrs. Webster
  Ms. Webb
### FINANCIAL MANAGEMENT ACTION PLAN

<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>Inform staff, consistently (in writing and verbally) of written prior approval via use of MCPS Form 280-54, before funds are disbursed</td>
<td>Principal Financial Specialist Department &amp; Team Leaders</td>
<td>Pre-Service Agenda &amp; MCPS Form 280-54</td>
<td>Review purchases monthly to monitor compliance of prior approval process</td>
<td>Principal &amp; Fin Sp remind staff during Pre-Service Week, Staff Meetings, &amp; Weekly Bulletin</td>
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<tr>
<td>Inform purchaser, consistently (in writing and verbally) of requirement to document satisfactory receipt of goods and services. Develop a form to capture this information.</td>
<td>Financial Specialist Principal</td>
<td>MCPS Financial Manual</td>
<td>Review purchases bi-weekly to monitor compliance of documentation of receivables</td>
<td>Principal &amp; Fin Sp remind staff during Pre-Service Week, Staff Meetings, &amp; Weekly Bulletin</td>
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**Strategic Improvement Focus:**

As noted in the financial audit for the period 11/1/18 - 2/29/20, strategic improvements are required in the following business processes:

1) Prior approval of purchase requests and 2) Purchaser confirmation of receipt of goods or services prior to disbursement
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OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL

☑ Approved ☐ Please revise and resubmit plan by _____________

Comments:

Director: [Signature] Jennifer Webster Date: 8/17/20