


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

July 7, 2023

MEMORANDUM

To: Dr. Keely R. Cooke, Principal
Rosemont Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2020, 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 13, 2023, meeting with you; Mrs. Markia R. Roberts, assistant principal; Mrs. Karen M. Melara, school administrative secretary (secretary); and Ms. Debra L. Yamada, visiting bookkeeper, we reviewed the prior audit report dated August 3, 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

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 1, page 3). Documents supporting the IAF reports are part of the financial records and must be maintained in the school office and filed logically to be readily available for audit or other purposes. IAF records shall be retained for five years after the close of the year to which they apply and until all audit requirements have been met, whichever is longer, and then destroyed (refer to the *MCPS Financial Manual*, chapter 20, page 16). In addition, effective internal control includes the receipt and review by the principal of unopened monthly bank statements, bank reconciliation reports, and ledger reports in a timely manner. Review of these reports must be evidenced by the principal's signature and date. In your action plan, you indicated that all financial reports will be signed and dated by the principal to indicate review. We noted an absence of controls over IAF operations resulting in untimely bank deposits, as well as poor maintenance of financial records. Many financial records were misfiled and not available for review, such as checks, receipts, field trip records, picture contracts, and yearbook records. We also noted that the principal did not consistently receive and approve the unopened monthly bank statements, bank reconciliation reports and ledger reports. We recommend that IAF records be properly filed and retained to be available for audit. We further recommend that all financial reports and bank statements be reviewed, signed and dated each month by the principal.

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase. 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 your action plan, you indicated that all disbursements from the school's IAF would be approved by you, and that invoices would be signed by the receiver and marked "paid." In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal, invoices were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received, and documentation supporting purchases were not consistently stamped or marked "paid." 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. We also recommend that 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 signed/dated by the recipient. Requiring invoices to be marked "received" ensures that goods or services have been satisfactorily received prior to payment.

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the secretary. These receipts must be deposited promptly, and all receipts 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). In your action plan, you indicated that staff would remit funds daily and that your secretary would make deposits promptly. We noted instances in which funds were held by sponsors rather than being remitted on a daily basis to the secretary. We also noted that the secretary was not always making timely deposits. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected must be remitted daily to the secretary. These receipts must be deposited promptly, and

all receipts must be deposited on the last working day of each month and before each weekend or holiday.

Sponsors of field trips must have a complete class or club roster of student names and annotate how much each student paid by cash, check or online, date paid, students who did not participate in the field 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). In your action plan, you indicated that sponsors would remit complete data at the conclusion of each trip, and those records would be reviewed, reconciled and filed. We found that not all trips had approvals on file, sponsors were not always providing completed data at the conclusion of each trip, and that data was not being compared to the final account history report. We recommend that all sponsors be required to use MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and follow the procedures outlined above. In addition, we recommend that the secretary complete a reconciliation of field trip activity as soon as the final comprehensive data is received from the sponsor.

Notice of Findings and Recommendations

- IAF must be managed in accordance with effective internal control procedures that include safeguarding financial records until required audits are completed
- Monthly financial reports and bank statements must be signed and dated by the principal to indicate review (**repeat**).
- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement and all documents must be stamped “paid” (**repeat**).
- Cash and checks (funds) collected by sponsors must be promptly remitted to the secretary and deposited timely, and always by end of the month and before each weekend or holiday (**repeat**).
- Field trip records prepared and remitted by sponsors must provide comprehensive data to account for all students eligible to participate, and the secretary must reconcile all trips upon completion (**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 Ms. Nicole A. Sosik, 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, Ms. Sosik 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:AMB: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

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Ms. Sosik

Ms. Webb

Rosemont Elementary School

16400 Alden Avenue
Gaithersburg, Maryland 20877
240-740-7180



Office of the Principal

July 14, 2023

MEMORANDUM

To: Ms. Mary J. Bergstresser, Acting Supervisor, Internal Audit Unit

From: Keely Cooke, Principal
Markia Roberts, Assistant Principal

Subject: Response to Auditor's Report of Independent Activity Funds for the Period July 1, 2020, through April 30, 2023

The following is in response to the above-mentioned audit memorandum.

IAF must be managed in accordance with effective internal control procedures that include safeguarding financial records until required audits are completed.

- The administrative secretary will use a filing cabinet in the records room, and it will be organized by year and subcategorized by receipts, reimbursement, field trips, Bank reconciliation, and any other IAF. She will keep a file for the current month in her desk drawer to place any documents when received and then transfer the documents to the appropriate file in the records room once Bank Reconciliation is completed and signed. The principal will provide the administrative secretary with time each month to ensure the documents are filed appropriately.

Monthly financial reports and bank statements must be signed and dated by the principal to indicate review (repeat).

- The principal and administrative secretary will schedule meetings at the beginning of each month to sign and date the financial reports and bank statements. These meetings are non-negotiable and will be placed on outlook calendars.

Purchase requests must be approved by the principal prior to procurement (repeat).

- *MCPS Form 280-54 Independent Activity Funds Request For A Purchase* – Staff will be notified during preservice and in writing via Staff Handbook and Weekly Bulletin that purchase requests must be approved by the principal prior to procurement. It will be required that MCPS Form 280-54 Independent Activity Funds Request for a purchase be prepared by staff and signed by the principal at the time of the verbal request. The principal will ensure detailed documentation/rational of the purchase is attached to the request prior to signing.

The purchaser must confirm receipt of goods or services prior to disbursement and all documents must be stamped “paid” (repeat).

- *MCPS Purchases Confirmed Prior to Disbursement-* Staff will be notified during a staff meeting and in writing via Staff Handbook and Weekly Bulletin that at the time of delivery, purchaser will confirm receipt of order items, and inform Administrative Secretary of order accuracy prior to disbursement.

Cash and checks (funds) collected by sponsors must be promptly remitted to the secretary and deposited timely, and always by end of the month and before each weekend or holiday (repeat).

- *Funds Received for Sponsored Activities-* Staff will be notified during preservice and in writing via Staff Handbook and Weekly Bulletin that with the support of the Parent Community Coordinator, ALL families will be encouraged to register and utilize the Online Payment System Available for School-Related Fees SchoolCash <https://mcpsmd.schoolcashionline.com/>
 - Paying Online helps parents and guardians pay school-related fees — such as field trip costs — safely, quickly, and easily. This service will increase efficiency and security by making payments directly into schools’ bank accounts and eliminating the need for teachers to handle money. The Online Payment System puts all school-related fees online so payments can be made using a credit card or e-check.
 - In addition, any cash collected by sponsors will be counted in front of the administrative secretary and documented using form 280-34. The Administrative Secretary will sign the form as documentation of receipt and sponsors will make a copy of the signed form for their records. Cash will be submitted by sponsors daily. The Administrative Secretary will make daily deposits.

Field trip records prepared and remitted by sponsors must provide comprehensive data to account for all students eligible to participate, and the secretary must reconcile all trips upon completion (repeat).

- *Field Trip Records Prepared by Sponsors –* Staff will be notified during preservice and in writing via Staff Handbook and Weekly Bulletin that all sponsors must provide a completed student roster and note the amount paid, the date, and any waivers or scholarships. Also, sponsors will include students not attending the trip. This information should be provided at the completion of the trip and compared to the remittance record. Sponsors will use MCPS Form 280-41 to record trip fees and provide complete data at the end of each trip. Trip planning will be reviewed by the Administrative Secretary and the Principal to ensure that fees are appropriate.
- *Payment—*With the support of the Parent Community Coordinator, ALL families will be encouraged to register and utilize the Online Payment System Available for School-Related Fees SchoolCash <https://mcpsmd.schoolcashionline.com/>
 - Paying Online helps parents and guardians pay school-related fees — such as field trip costs — safely, quickly, and easily. This service will increase efficiency and security by making payments directly into schools’ bank accounts and eliminating the need for teachers to handle money. The Online Payment System puts all school-related fees online so payments can be made using a credit card or e-check.

Copy to:
N. Sosik

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:	Fiscal Year:
School:	Principal:
OSSWB Associate Superintendent:	OSSWB Director:
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period _____, 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

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

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)	
<input type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director: _____ <i>Nicole A. Sosik</i> _____	Date: _____