

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

March 31, 2022

MEMORANDUM

To: Mrs. Kathryn C. West, Principal
Bayard Rustin Elementary School

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



Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2020, through February 28, 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 fund-raisers. 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 March 25, 2022, meeting with you, and Mrs. Peggy E. Thompson, school administrative secretary (secretary), we reviewed the prior audit report dated December 31, 2020, and the status of present conditions. It should be noted that your assignment as acting principal was effective July 19, 2021, through March 24, 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

The principal should assign sponsors to all active accounts or inactivate these accounts if not needed for school financial operations. The sponsors assigned then must review the account to ensure that the account's funds are used for their intended purposes. (refer to the *MCPS Financial Manual*, chapter 20, page 12). In the review of your accounts, we found several active accounts

that did not have a sponsor assigned. We also noted that the principal had been assigned as the sponsor on several accounts that should have been assigned to other staff members. We recommend a review of all accounts and assigning the appropriate sponsor for all accounts as needed.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS 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 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 10th of the following month, using the online reconciliation program. The principal's card transactions are to be reviewed and approved by Dr. Peter O. Moran, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools. We found that the secretary had not prepared the monthly statements, provided purchase receipts, or reviewed transactions in the online reconciliation program until the time of the audit. We also found that you had not approved any transactions online because the secretary had not reviewed her transactions. In addition, we found that your transactions had not been approved in the online system by your director. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

We found staff collecting funds were sometimes holding rather than remitting them timely to the secretary. Remittances received should, in turn, be promptly deposited into the school's bank account. Large and infrequent deposits increase the possibility of a loss of funds as well as decrease the school's ability to fund activities. 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 to the secretary daily and promptly deposited. In addition, all remittances on hand must be deposited before each weekend or holiday (refer to the *MCPS Financial Manual*, chapter 7, page 4).

Notice of Findings and Recommendations

- All active accounts must have a sponsor assigned and principal should not be the sponsor on the majority of accounts.
- Purchase card transactions must be documented, reviewed, and approved by the approver and cardholder in the online program each month (**repeat**).
- Cash and checks (funds) collected by sponsors must be promptly remitted to the secretary, and deposited in the bank in accordance with Chapter 7 of the *MCPS Financial Manual*.

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. Moran for written approval of your plan. Based on the audit recommendations, Dr. Moran 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:PJM:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. D'Andrea

Ms. Dawson

Ms. Reuben

Mrs. Williams

Dr. Dyson

Mr. Reilly

Mrs. Chen

Mrs. Eader

Mr. Klausling

Dr. Moran

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2022	Fiscal Year: 2022
School: Bayard Rustin ES - 346 <input type="checkbox"/>	Principal: Mrs. Kathryn West
OTLS Associate Superintendent: Dr. Cheryl Dyson	OTLS Director: Dr. Peter Moran
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>11/1/20-2/28/22</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
Goal: All active accounts will have an IAF activity sponsor assigned. A review of all active accounts will be completed to ensure the principal is only listed as sponsor on integral accounts. Review of all active accounts will be completed to ensure staff titles are listed as opposed to staff names	Principal Assistant Principal Administrative Secretary Visiting Bookkeeper	MCPS Financial Manual Chart of Accounts Sponsor reports	Chart of Accounts Print-Out Meeting will include principal, visiting bookkeeper, administrative secretary.	Monthly review of chart of accounts and sponsors listed.	Monthly financial review log
2A: MCPS P-Card will be reconciled by cardholder by the 5th business day of each month. Statements, receipts and invoices will be printed and provided to the principal. Principal will review and approve all cardholder transactions by the 10th business day.	Principal Assistant Principal Administrative Secretary	JP Morgan training materials Shared Google folder MCPS Financial	Monthly checklist Online JP morgan reports	Monthly Review Principal Assistant Principal Administrative Secretary	JP Morgan Reports Completed financial checklists
2B: A Google folder will be created and shared by the principal, assistant principal and administrative secretary. This folder will include p card training documents, procedures and resources. Hard copies of documents will be kept in the principal ' s office.	See above	See above	See above	See above	See above
The administrative secretary will verify all monies collected in the witness of the staff member, ensuring the total amount matches the documentation on form 280-34. The administrative secretary will document the deposit in School Funds Online, printing an official receipt for reference.	Principal Assistant Principal Administrative Secretary	MCPS Form 280-34 MCPS Financial Manual Sponsor reports	Bank deposit statements Sponsor reports	Monthly meeting with the principal and administrative secretary to review all financial documents.	Receipts of submitted funds and bank deposit statements.

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OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____	
Director: <u> <i>Peter O. Moran</i> </u> <small>ovz</small>	Date: <u> 04/29/22 </u>