


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 9, 2023

MEMORANDUM

To: Mr. Kyle J. Heatwole, Principal
Flora M. Singer Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2019, 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 January 19, 2023, meeting with you; Ms. Fiorela Guzman, school administrative secretary (secretary); and Mrs. Eileen O'Sullivan, visiting bookkeeper, we reviewed the prior audit report dated November 25, 2019, 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. It should be noted that Ms. Guzman's assignment as secretary was effective April 19, 2022.

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 your action plan you indicated that admin team would insure signature was on invoices prior to disbursement of payment. In our sample of disbursements, we found instances in which controls over purchases were weakened including purchases not being pre-approved, incidents where the sponsor did not sign and or date MCPS Form 280-54, and documentation supporting purchases 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. Purchasers must sign invoices to indicate satisfactory receipt of goods or services prior to payments being processed. We recommend that 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.

The use of personal credit cards for large purchases is discouraged (refer to the *MCPS Financial Manual*, chapter 20, page 8). In our sample of disbursements, we found that staff members spent their own personal funds, usually using debit/credit cards, and were reimbursed large amounts instead of making purchases through the MCPS Business Hub or with an MCPS purchasing card. We recommend issuing MCPS purchasing cards to staff members for small purchases and all large purchases be placed in the Hub or a check written to the vendor from the IAF account.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with MCPS Form 280-34, *Remittance Slip*, to the secretary on the day the funds are received. In your action plan you indicated that you would review expectation of submission of funds with staff. We found instances in which staff collecting funds for field trips and yearbooks were holding funds rather than remitting them timely to the secretary. We recommend that all staff who collect funds for school activities be reminded of remittance requirements (refer to the *MCPS Financial Manual*, Chapter 7, page 4).

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms must be signed by the principal and retained on file. Sponsors of field trips must have a complete class or club roster of student names and annotate how much each student paid, date paid, students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data together with a list of all chaperones and volunteers must be remitted to the secretary at the completion of each trip, and compared to remittances recorded in the trip account history report. We found not all sponsors were turning in completed data at the conclusion of each trip, and that data was not being compared to the final account history report. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, and provide complete data at the conclusion of each trip. This data must be reconciled by the secretary with remittances recorded in activity accounts (refer to the *MCPS Financial Manual*, chapter 20, page 10).

Accounting for yearbook sales requires the sponsor to maintain a record of books ordered and received, all books sold at specific prices, including any online sales, and a detailed list of any yearbook giveaways, books returned to the vendor for credit and the number of unsold books remaining. MCPS Form 281-25, *Yearbook Analysis*, must be prepared by the sponsor for review by the secretary and principal, and to reconcile revenue, expenditures, and remaining physical inventory to the accounting records. We found that a yearbook reconciliation was not completed accurately, and the account history report did not match the sponsors records. In addition, MCPS Form 281-25 did not include the books that were given away and the sales tax on the books sold. We recommend additional support be given to the yearbook sponsor in order to properly account for the yearbook sales activity (refer to the *MCPS Financial Manual*, Chapter 20, page 14).

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement, and signed/dated by requestor.
- Purchaser must confirm receipt of goods or services prior to disbursement (**Repeat**).
- Staff used their personal credit card to make purchases for the school.
- Cash and checks (funds) collected by sponsors must be promptly remitted, along with MCPS Form 280-34, to the school administrative secretary (**Repeat**).
- Every field trip file must include an approval form, waiver forms, final field trip accounting spreadsheet and a reconciliation report.
- MCPS Form 281-25 must be completed in its entirety for yearbook sales, making sure to include overruns, giveaways and sales tax.

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. Peter Moran, 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. 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 school administrative secretary to support you with developing a well-defined plan to address the findings.

MJB:ABB:rg

Attachment

Copy to:

Members of the Board of Education
Dr. McKnight

Mr. Hull
Dr. Murphy
Ms. Reuben
Mr. Stockton
Mrs. Williams
Dr. Moran
Mr. Reilly
Mrs. Chen
Ms. Eader
Mr. Klausling
Mrs. Ripoli
Ms. Webb

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>Peter O. Moran</i> _____	Date: _____