


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

September 18, 2023

MEMORANDUM

To: Ms. Celeste D. King, Principal  
South Lake Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
May 1, 2021, through May 31, 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 August 31, 2023, meeting with you; Ms. Renee B. Shaw, school administrative secretary (secretary); and Ms. Pamela K. Dunn, visiting bookkeeper, we reviewed the prior audit report dated June 7, 2021, 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

Sponsors of school activities that involve the collection or disbursement of IAF must be provided an account history report for each month in which transactions have been recorded in their account or the account has a balance. In your action plan, you indicated that all sponsors would be given a monthly report and they would be color coded to identify those not returned. We found that this

essential internal control procedure was not always being used and you did not have a clear process to identify which sponsor had returned their reports. We also noted that you were listed as the sponsor on several club, class and fundraiser accounts instead of the actual sponsor involved in the activity. We recommend sponsors be given a monthly account history report of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the reports must be signed and dated by the sponsor to attest to their accuracy. These reports will then be returned to the secretary who will file them for review by the Internal Audit Unit. We further recommend that the principal not be listed as the sponsor on any account where funds are being collected. A procedure must be established to ensure that all reports are reviewed and returned (refer to the *MCPS Financial Manual*, chapter 20, page 10).

Once a check or receipt has been written, it shall not be erased or altered. If an error is discovered, the check or receipt must be marked "void" and a replacement issued. Any misprinted checks or receipts must be entered into the accounting system, and the voided checks and all parts of any voided receipt forms must be defaced and retained (refer to the *MCPS Financial Manual*, chapter 7, page 4, and chapter 20, page 6). In your action, you indicated that your secretary would properly deface all checks and receipts, retain, and record in School Funds Online (SFO). We found that not all voided checks/receipts had been defaced, entered into the accounting system and that some voided stock could not be located. We recommend that checks and receipts written in error be voided in accordance with MCPS guidelines.

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 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 purchases would be preapproved, documents would be stamped paid and all invoice would be marked as received. In our sample of disbursements, prior approval was not consistently obtained. We also noted instances in which controls over purchases were weakened including incidents where documentation was missing or not adequate to assure the school benefited from the purchase, documentation supporting purchases was 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. 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 signed/dated by the recipient. Requiring invoices to be marked "received" ensures that goods or services have been satisfactorily received prior to payment.

Independent contractors or consultants working in schools must comply with all laws and MCPS requirements outlined in the *Procurement Manual*. MCPS Form 280-49A: *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF)* is used to document authorization/approval for all consultant/independent contractor services paid with IAF. We found that this form had not been completed for all payments to independent contractors during our audit period. We recommend that the financial agent initiate MCPS Form 280-49A to document the authorization and approval to pay a consultant/independent contractor with IAF (refer to the *MCPS Financial Manual*, chapter 15, page 2).

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card Users 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, or the statement of account landscape report, must be printed and provided to the approver, with all purchase receipts and invoices attached. The approver must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. In your action plan, you indicated that monthly statements would be prepared and signed, there would be online review and approval, and all statement would be filed in a binder. We found internal control weakness in that your secretary had not prepared her monthly statements, provided descriptions of items purchased, indicated IAF account number when required, attached her purchase receipts, or reviewed her transactions in the online reconciliation program. We also found that you had not approved any of your secretaries' transactions since they had never been submitted to you or reviewed in the online program. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

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 deposits would be received daily and verified, and that bank deposits would be made each day. In our sample of deposits, we found instances in which staff collecting funds were holding funds rather than remitting them daily to the secretary. We also noted that the funds collected were not always deposited promptly, and at times exceeded the cash holding threshold. To minimize the risk of loss or theft and provide availability of funds to meet school needs, all funds collected must be remitted to the secretary daily and promptly deposited in accordance with MCPS policy and procedures. In addition, all remittances on hand must be deposited before each weekend, holiday, and the last day of the month.

Fundraising at the school must conform to the *Guidelines for Sponsoring an IAF Fundraiser*. Each fundraiser must be approved by the principal in writing and the approval retained in the finance office. Financial activities for each fundraising activity must be recorded in a separate account in the 7000 series and a completion report prepared that analyzes the results (refer to the *MCPS*

*Financial Manual*, chapter 20, page 13). We noted that the fundraiser requests were not always approved and the completion report was not prepared and submitted to the secretary. We recommend following these internal control procedures to provide accountability for funds raised as well as the opportunity to evaluate the results after the event.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Student Organization Trips*. Trip approval forms signed by the principal, and the director of school support and improvement, when required, must be retained. Sponsors of field trips must have a complete class or club roster of student names to annotate the amount each student paid, date paid, eligible 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 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 you would review all procedures with staff and that all trips would be reconciled. We found that not all field trip request forms were on file, sponsors are not always providing completed data at the conclusion of each trip, and the data was not being reconciled 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 this data be reconciled by the secretary with remittances recorded in activity accounts. The use of School Cash Online (SCO) to record all payments will greatly improve the ability to reconcile all field trips and track which students have paid, were waived, or did not attend.

#### Notice of Findings and Recommendations

- Receipts and checks that are voided must be defaced, entered into SFO and retained **(repeat)**.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the secretary **(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 documentation must be stamped as paid **(repeat)**.
- Purchase documentation must be adequate to support disbursements.
- Purchase card transactions must be documented, reviewed, and approved by the principal, and the statement of account landscape report must be printed and provided to the principal with all purchase receipts and invoices **(repeat)**.
- Independent contractor payments must comply with MCPS procurement requirements **(repeat)**.
- Funds collected by sponsors must be promptly remitted to the secretary and promptly verified, receipted, and deposited in the bank in accordance with Chapter 7 of the *MCPS Financial Manual* **(repeat)**.
- Fund-raising must conform to the Guidelines for Sponsoring an IAF Fund Raiser **(repeat)**.

- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate and the secretary must reconcile funds collected with account history reports (**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 Mr. David W. Adams, acting associate superintendent of school support and well-being, Office of School Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Mr. Adams 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:BK:rg

Attachment

Copy to:

Members of the Board of Education  
Dr. McKnight  
Mr. Hull  
Dr. Murphy  
Ms. Morris  
Mr. Stockton  
Mrs. Williams  
Mr. Adams  
Mr. Reilly  
Mrs. Chen  
Ms. Eader  
Mr. Klausling  
Mrs. Ripoli  
Ms. Webb



## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b>	<b>Fiscal Year: FY2024</b>
<b>School:</b> South Lake Elementary	<b>Principal:</b> Celeste King
<b>OSSWB</b> <b>Associate Superintendent:</b> David Adams	<b>OSSWB</b> <b>Director:</b> David Adams

**Strategic Improvement Focus:**

As noted in the financial audit for the period May1,2021 -May31-2023, strategic improvements are required in the following business processes :

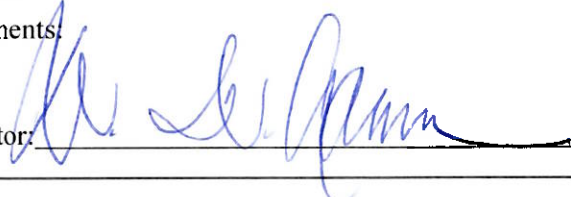
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<p><b>Sponsor Reports –</b> Sponsor reports will be printed on a monthly basis and held in the admin secretary’s office for signature. Once reports are printed, an email will be sent to each sponsor, requesting that they stop by the admin office to review the report and sign off on it. As reports are signed, they will be placed in the appropriate monthly folder. Reminder emails will be sent until all reports have been reviewed and signed. Follow-up with sponsors by principal if signatures have not been obtained within 48 hours of email</p>	<p>Admin Secretary Follow-up by principal if needed</p>			<p>Admin Secretary Principal  Monthly basis</p>	
<p><b>Purchase requests and documentation –</b> During staff in-service week, financial responsibilities for purchase requests and prior approval of the 280-54 were covered.  Admin secretary will maintain a folder of approved 280-54s to match up with receipts once the purchase has been made. Receipts will be dated and initialed as to receipt of items by purchaser. Receipts will be stamped PAID, dated, check number indicated and initialed by Admin secretary. Admin Secretary will file documentation in school records as checks are printed.  The principal and admin secretary have developed an IAF time management calendar, assigning days for specific duties related to the IAF.</p>	<p>Staff Admin Secretary Principal</p>			<p>Admin Secretary Principal  Twice a week</p>	

<p><b>Purchase Card Accounting –</b> JP Morgan account will be reviewed on a daily basis for outstanding transactions by Admin secretary. A file will be maintained by Admin secretary with all receipts pertaining to purchases.</p> <p>As transactions are reviewed and pushed forward for approval, Principal will review and approve the transactions for payment.</p> <p>JP Morgan Landscape report will be printed at month end and all receipts matched to the report. Both Admin secretary and principal will sign off on the report. Admin secretary will then file in the current year's Purchase Card folder</p>	<p>Admin Secretary</p> <p>Principal</p> <p>Admin Secretary Principal</p>			<p>Admin Secretary Daily basis</p> <p>Principal Meet Daily for identified calendar actions</p> <p>Admin Secretary Principal Monthly basis</p>	
<p><b>Contractor payments 280-49A –</b> As requests for an outside contractor occur, the contractor will be requested to provide a quote for the activity, a and W-9, and complete the 235-40 (Response Form for Required Criminal Background Check). Once this documentation is received from the contractor, the Admin Secretary or Activity Sponsor will complete the 280-49A, obtain principal's approval, and submit all documentation to Procurement for review and approval.</p>	<p>Activity Sponsor</p> <p>Admin Secretary</p> <p>Principal</p> <p>Procurement Unit</p>			<p>Activity Sponsor</p> <p>Admin Secretary</p> <p>Principal</p> <p>Procurement Unit As needed basis</p>	
<p><b>Funds collected by sponsors:</b> During staff in-service week, financial responsibilities for remitting funds to the office were reviewed with all staff. Staff was directed to complete the remittance form 280-54 and bring all collected funds to the office for verification and deposit. Funds will be verified by the Admin Secretary and entered into the SCO system and/or the SFO system as necessary.</p> <p>All verified funds will be locked in the school safe until the bank deposit is prepared. Depending on the amount of funds collected, funds may be held overnight in the school safe.</p> <p>With the demands of the new SCO system, we will be reaching out to our bookkeeper to provide support in receipting and depositing funds if/when our Admin Secretary is out of the building for any extended leave.</p>	<p>All school staff</p> <p>Admin Secretary</p> <p>Visiting Bookkeeper</p>			<p>All school staff</p> <p>Admin Secretary Daily basis</p> <p>Principal Meet Daily for identified calendar actions</p> <p>Admin Secretary At least once a week</p> <p>Visiting Bookkeeper</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<p><b>Fund-raising –</b> During staff in-service week, staff was reminded that all fundraising activities must be approved by the principal using the appropriate Fundraiser Approval Form. Principal will review the approval form with the sponsor to insure that understand all the required documentation BEFORE starting the fundraiser.</p> <p>Upon approval of the fundraiser, admin secretary will setup an account in SFO.</p> <p>Upon completion of the fundraiser, the sponsor will complete all necessary documentation (inventory, fundraiser completion report) and submit to the admin secretary.</p> <p>Admin secretary will review documentation, assemble the packet and place in financial records for the current fiscal year.</p>	<p>Fundraiser sponsor</p> <p>Principal</p> <p>Admin Secretary</p> <p>Fundraiser sponsor</p> <p>Admin Secretary</p>			<p>Fundraiser sponsor Prior to fundraiser beginning</p> <p>Principal Prior to fundraiser beginning</p> <p>Admin Secretary Upon approval of fundraiser</p> <p>Fundraiser sponsor</p> <p>Admin Secretary Within one week of fundraiser end</p>	
<p><b>Field Trip Records-</b> During staff in-service week, field trip planning and field trip financial responsibilities were reviewed with all staff.</p> <p>Field trip request and packet containing supporting documentation (parent letter, expense calculation, any contracts, etc) will be prepared and submitted to principal for approval.</p> <p>Upon approval of the field trip, admin secretary will set up an account in SFO and in SCO for online payments. Admin secretary will also order bus.</p> <p>Funds will be brought to the office on a daily basis for verification of deposit amount.</p> <p>Sponsors will prepare the Field Trip Accounting Form or accepted EXCEL form, detailing payment history. Sponsors will submit the Field Trip Accounting Form to the Admin secretary on the morning of the field trip. All approved waivers will be attached to the Field Trip Accounting Form. Follow-up by Admin Secretary, then Principal if not received</p>	<p>All staff</p> <p>Sponsors</p> <p>Principal</p> <p>Admin Secretary</p> <p>Sponsors</p> <p>Admin Secretary</p> <p>Sponsors</p> <p>Admin Secretary</p>			<p>All staff</p> <p>Sponsor As needed</p> <p>Admin Secretary As needed</p> <p>Sponsor Daily</p> <p>Sponsor Within 24 hours of field trip date</p> <p>Admin Secretary</p>	



<p>on day of field trip.</p> <p>The principal and admin secretary have developed an IAF time management calendar, assigning days for specific duties related to the IAF. Field trip processes and reconciliations will be conducted at least once a week, possibly twice, depending on the number of field trips requests. Admin secretary will ensure all required documentation is attached to the field trip reconciliation prior to review by principal. Principal will review and sign off on each reconciliation prior to it being filed in the school's financial records.</p>	<p>Principal</p> <p>Admin Secretary</p> <p>Principal</p>			<p>Principal Within 24 hours of field trip date</p> <p>Admin Secretary</p> <p>Principal Meet Daily for identified calendar actions</p>	
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<b>OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)</b>	
<input checked="" type="checkbox"/> <b>Approved</b> Comments:	<input type="checkbox"/> <b>Please revise and resubmit plan by _____</b>  Director:  Date: <u>11/27/23</u>