


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

July 20, 2022

MEMORANDUM

To: Ms. Karen Bryant, Principal
Silver Spring International Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
August 31, 2020, through June 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 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 July 14, 2022, meeting with you and Mrs. Janis L. Smith, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated November 30, 2020, 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.

Finding and Recommendation

Sponsors of school activities which 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 accounts and be required to verify that transactions have been correctly recorded. We noted that the school financial specialist did not provide account history reports to the sponsors. The school financial specialist must prepare and deliver the monthly account history reports to the sponsors, and sponsors must review and resolve any discrepancies in their accounts and return the

signed statements to the school financial specialist who will file them for review by the Internal Audit Unit (refer to the *MCPS Financial Manual*, chapter 20, page 9).

Reconciliation of the school's monthly bank checking account statement must be completed by a person independent of daily accounting transaction input. Monthly reports, including the bank reconciliation, are to be presented to the principal no later than the 20th of the month following the close of each month. The principal shall review these reports, sign, and date them to indicate this review, and return them to the financial specialist to be filed with other monthly reports (refer to the *MCPS Financial Manual*, chapter 20, page 9). We found that bank reconciliations were not completed timely. In addition, other monthly reports were not consistently signed and dated, or were signed late. We recommend that a staff member be designated to perform the bank reconciliation each month as soon as all entries through the last day of the month have been recorded by the financial specialist.

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 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. We found that some cardholders had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation 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 school financial specialist. 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). We noted that the school financial specialist is not always making timely deposits. At one point, funds were held with remittance slips that spanned over a month and exceeded the amount allowed to be held overnight at the school. We recommend that school staff submit all cash and checks collected for IAF activities to the school financial specialist for prompt deposit in accordance with MCPS policy and procedures. To minimize the risk of loss, all funds collected must be remitted daily and deposited to the bank promptly. Staff also should monitor their remittances to the school financial specialist to ensure they receive a receipt in a timely manner.

Notice of Findings and Recommendations

- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the financial agent.
- Monthly bank statement review must be signed and dated by the principal with bank reconciliations completed on a timely basis.

- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide* (**repeat**).
- Cash and checks (funds) remitted by sponsors must be promptly receipted and deposited in the bank by the school financial specialist 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. Peter O. Moran, 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, 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 financial specialist to support you with developing a well-defined plan to address the findings.

MJB:BK:lsh

Attachment

Copy to:

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

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: July 20, 2022	Fiscal Year: July 28, 2022
School: Silver Spring International MS - 647	Principal: Karen Bryant
OSSWB Associate Superintendent: Dr. Peter O. Moran	OSSWB Director: Jennifer L. Webster

Strategic Improvement Focus:
 As noted in the financial audit for the period 8/1/20-6/30/22, strategic improvements are required in the following business processes :
 Monthly Account History Reports; Monthly Bank Reconciliations; Purchase Card Review/Approval; and Funds Remittance.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Monthly Account History Reports: Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the financial agent.	School Financial Specialist (SFS) Sponsors	Training for new SFS. Pre-service training will be required for sponsors.	SFS will provide reports and communicate requirement to sponsors monthly. SFS will track compliance and report any issues to Principal.	SFS Principal Compliance will be discussed in weekly meetings.	All account sponsors will review account history reports and return signed file copy to SFS by 30th of the next month.
Monthly Bank Reconciliations: Monthly bank statement review must be signed and dated by the principal with bank reconciliations completed on a timely basis.	Principal Assistant Principal SFS	Training for new SFS. Refresher will be completed by Principal on 11/17/22.	SFS will obtain bank statement and prepare documents for Assistant Principal to reconcile as early as possible after first of each month.	SFS Principal Monthly reconciliation will be reviewed in weekly meeting by 20th	Bank reconciliation completed in School Funds Online by the 20th of every month.
Purchase Card Review/Approval: Purchase card activity must comply with the MCPS Purchasing Card User's Guide.	Cardholders SFS Principal	Training for new SFS. Pre-service training for all cardholders.	Cardholders will review transactions and submit report w/receipts by 5th of month. Principal will review and approve transactions by 10th of the month.	SFS will collect reports from cardholders, verify documentation and meet with Principal by 10th of month.	All transactions reviewed and approved by deadlines.
Funds Remittance: Cash and checks (funds) remitted by sponsors must be promptly receipted and deposited in the bank by the school financial specialist in accordance with Chapter 7 of the MCPS Financial Manual.	Sponsors SFS	Training for new SFS. Pre-service training for all staff.	Sponsors/staff remit funds to SFS the same day they are collected. SFS issues receipts and makes bank deposits promptly/same day.	SFS Principal Monthly reconciliation process will include review of deposit dates	Funds collected will be remitted to SFS the same day collected. Bank deposits will be timely, in compliance with MCPS Finance Manual.

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OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____	
Director: <u> Peter O. Moran </u>	Date: <u> 9/12/22 </u>