


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 20, 2023

MEMORANDUM

To: Mrs. Lisa J. Henry, Principal
Summit Hall 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 October 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 December 6, 2023, meeting with you and Ms. Rosa M. Escobar, school administrative secretary (secretary), we reviewed the prior audit report dated December 31, 2020, and the status of the present conditions. It should be noted that Ms. Escobar's assignment as secretary was effective January 25, 2021. 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

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 our sample of disbursements, prior approval was not consistently obtained, some documentation was missing or not adequate to assure the school benefited from the purchase, and MCPS Form 280-54 was not always prepared, signed and dated by principal when making payments to MCPS through i-Payments. We also noted instances in which controls over purchases were weakened including documentation supporting purchases were not stamped or marked “paid”, invoices and online purchase confirmations were not always signed by 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 and that your secretary completes MCPS Form 280-54 for all i-Payments. 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.

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 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 description of items purchased, indicated IAF account number when required, attached their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the principal had not approved all transactions online. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

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 *MCPS Financial Manual*, chapter 20, page 10). We found that not all sponsors are providing completed data at the conclusion of each trip, and that data is 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.

All received commissions for pictures need to be initially recorded in account 0110.0000 Student Pictures Commission account. We found you were making disbursements out of this commission only account. Having one account supports financial staff monitoring picture commissions to

ensure all commissions due are received based on the contract. We recommend that transfers are completed for any expenditures to accounts that would benefit from the commissions. Annual commission summary reports, when not provided, should be requested as part of the monitoring process.

Notice of Findings and Recommendations

- All IAF disbursements must be documented, reviewed, and pre-approved by the principal including MCPS i-Payments.
- Purchaser must confirm receipt of goods or services prior to disbursement and documentation annotated as Paid.
- Purchase card activity must comply with the MCPS Purchasing Card User’s Guide.
- Field trip records prepared by sponsors must provide comprehensive data to account for all eligible to participate, including volunteers and chaperones, and secretary must reconcile funds collected with account history report.
- Purchases should not be made directly from the commission accounts.

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 School 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:PJM:rg

Attachment

Copy to:

Members of the Board of Education

- Dr. McKnight
- Dr. Collins
- Mr. Hull
- Dr. Kimball
- Mr. Stockton
- Mrs. Williams
- Ms. Dempsey

- Mr. Reilly
- Mrs. Chen
- Ms. Eader
- Mr. Klausung
- Mrs. Ripoli
- Ms. Sosik
- Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 12/20/23	Fiscal Year: 21-23
School or Office Name: SUMMIT HALL ELEMENTARY SCHOOL	Principal: LISA HENRY
OSSWB Associate Superintendent: LANCE DEMPSEY	OSSWB Director: NICOLE SOSIK
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>11/1/20-10/31/23</u>, strategic improvements are required in the following business processes : IAF disbursements, Receipt of goods/services documented, Purchase card activity compliance, Field Trip records, and Purchases</p>	

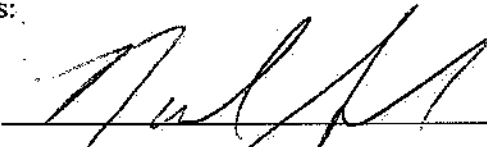
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Document, review, and pre-approve all IAF disbursements including MCPS i-payments.	R. Escobar L. Henry	MCPS Financial Manual, p. 20-6	MCPS Form 280-54	R. Escobar L. Henry Prior to purchases or disbursements	
Confirm receipt of goods/services prior to disbursement and documentation annotated as Paid. Invoices signed by purchaser and stamped/marked PAID	R. Escobar L. Henry	MCPS Financial Manual, p. 20-6	Signed invoices	R. Escobar Upon receipt of goods/services	
Purchase card activity compliance with MCPS Purchasing Card User's Guide. Cardholders complete online reconciliation and Monthly Landscape Report. Approver completes online approval	R. Escobar L. Henry	MCPS Purchasing Card Users Guide, p. 3-5	Monthly Landscape Report Online reconciliation report	R. Escobar 5th business day of each month L. Henry-within 10 days after above	
Sponsors will provide comprehensive data to account for field trip participants. Funds collected must be reconciled with account history report.	R. Escobar Field Trip Sponsors	MCPS Financial Manual, p 20-10 Business Ctr, MyMCPS	Field trip checklist, Accounting sheet, Reconciliation form and Calculator worksheet Tools/Calculators section	R. Escobar L. Henry Following each field trip	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Funds received from commissions must be transferred to a benefiting account prior to any disbursements.	R. Escobar		Monthly account reports Annual commission summary reports	R. Escobar L. Henry Monthly	

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved Please revise and resubmit plan by _____

Comments:

Director:  Date: 4/29/24