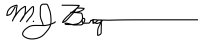


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

May 18, 2021

MEMORANDUM

To: Dr. Zadia T. Gadsden, Principal
Takoma Park Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2017, through March 31, 2021

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 May 7, 2021, virtual meeting with you; Ms. Johanna A. Paz, school administrative secretary (secretary); and Ms. Monika Roberts, school visiting bookkeeper, we reviewed the prior audit report dated February 8, 2018, 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.

Findings and Recommendations

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 end of each month. The principal shall review these reports, sign, and date them to indicate this review, and return them to the secretary to be filed with other monthly reports (refer to the

MCPS Financial Manual, chapter 20, page 9). We found that bank reconciliations were not always completed timely. The financial agent must furnish the monthly reports to the principal no later than the 20th of the month following the close of each month.

Once written, a check or receipt shall not be erased or altered. If an error is discovered, the check or receipt must be marked “void” and a replacement must be issued. Any misprinted check or receipt must be entered into the accounting system, and the voided check and all parts of any voided receipt form, must be defaced and retained (refer to the *MCPS Financial Manual*, chapter 7, page 4 and chapter 20, page 6). We found that this practice was not being followed. In some cases, the computer-generated check or receipt number did not agree with the inventory stock number. We recommend that checks and receipts written in error be properly voided in accordance with the *MCPS Financial Manual*.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities must be remitted promptly to the secretary along with a remittance slip. Cash must be counted in the presence of the remitter, and a receipt that is supported by the remittance slip must be issued promptly. We found that some sponsors were holding funds collected rather than remitting them to the secretary on a daily basis. 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 or theft and provide availability of funds to meet school needs, all funds collected must be remitted to the secretary daily for a prompt deposit (refer to the *MCPS Financial Manual*, chapter 7, page 4). In addition, all remittances on hand must be deposited before each weekend, holiday, or end of the month.

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, signed by the principal, must contain all expense information, any subsidy information, and the field trip cost to be charged per student. Sponsors of field trips must have a complete class or club roster of student names and annotate how much each student paid and the 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 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 trips had approvals on file, sponsors are not always providing completed data at the conclusion of each trip, and that data is not being compared 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 follow the procedures outlined above. In addition, we recommend that the secretary complete a reconciliation of field trip activity as soon as the final comprehensive data is received from the sponsor.

Notice of Findings and Recommendations

- Bank reconciliations must be completed and furnished to the principal by the 20th of the month following the end of each month.

- Checks or receipts with errors must be voided according to *MCPS Financial Manual (repeat)*.
- Cash and checks (funds) must be remitted daily to the secretary and promptly deposited in the bank in accordance with Chapter 7 of the *MCPS Financial Manual (repeat)*.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate and to reconcile funds collected with costs of the trip (**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. Sean P. McGee, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Mr. McGee 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:RCM:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Ms. Stratman

Dr. Wilson

Mrs. Williams

Mrs. Morris

Mrs. Chen

Mr. Klausling

Mr. Marella

Mr. McGee

Mr. Reilly

Mr. Tallur


Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2021	Fiscal Year: 2021
School: Takoma Park ES 754	Principal: Zadia T. Gadsden
OTLS Associate Superintendent: Dianne Morris	OTLS Director: Sean McGee
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>12/2017-3/31/21</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
Bank reconciliations will be completed and given to the principal by the 20th of the month following the end of each month.	Book keeper		Administrative secretary will schedule the visiting book keeper each month for the proceeding month.	Principal, monthly	
Checks and receipts will be voided if errors occur, checks and new checks with corresponding check and receipt numbers will be created.	Administrative Secretary		Administrative Secretary will notify the principal when a check or receipt must be voided.	Principal	
Cash and checks will be remitted daily to the secretary and promptly deposited. Funds that can not be deposited will be placed in the school safe with documentation that will remain for the record.	Staff & Administrative Secretary		Deposit dates will be monitored to ensure correspondence with the collection of funds.	Principal	
Field trip sponsors will prepare records with comprehensive data for all students and reconcile funds with the cost of the trip.	Team Leaders		Field trip request form completed with all necessary information.	Principal	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: This plan has been reviewed with the director and we will work collaboratively with Takoma Park ES to address the concerns identified in the audit.	
Director: _____ 	Date: <u>6/22/21</u>