


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

July 18, 2024

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
April 1, 2021, through May 31, 2024

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 July 10, 2024, meeting with you; Mrs. Joi Hollis, assistant principal; and Ms. Johanna A. Paz, school administrative secretary (secretary), we reviewed the prior audit report dated May 18, 2021, 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 account statements 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). In your action plan, you indicated that bank reconciliations would be completed and given to you by the 20th of the following month. We found that bank reconciliations were not always completed timely and this was mainly due to the secretary not providing the bank statement to the visiting bookkeeper to prepare the bank reconciliation. The secretary must furnish the monthly bank statements to the visiting bookkeeper timely in order for reports to be prepared and presented to the principal no later than the 20th of the month following the close of each month.

To improve internal control, the stock of any additional receipts, other than those currently in use, should be secured in the custody of someone other than the secretary who has School Funds Online (SFO) access to implement receipt transactions. This can be accomplished by maintaining a log with dual control when stock is issued to the secretary, recording the beginning and ending numbers of the stock that is provided so that out of sequence receipt numbers would be identified and voided in the accounting system. Once written, a receipt shall not be erased or altered. If an error is discovered, the receipt must be marked “void” and a replacement must be issued. Any misprinted receipts must be entered into the accounting system, 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 blank receipt stock was secured, but the secretary had access and a dual controlled log was not maintained. We noted that there were out of sequence receipt numbers that were unaccounted for and some found with a note to not use. In your action plan, you indicated that receipts would be voided if errors occurred and receipts with corresponding numbers would be created. We found that this practice was not being followed. It was also noted that the computer-generated receipt number did not agree with the inventory stock number from May 2022 until corrected in November 2023. We recommend that you maintain a log with dual control to ensure the integrity of receipts and that receipts written in error be properly voided in accordance with the *MCPS Financial Manual*. We also recommend that all computer-generated receipt numbers match the receipt number on receipt stock.

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. Disbursements made by Automated Clearing House (ACH) drawn on the school’s IAF bank account, regardless of the documentation that approved the procurement of goods and services, are required to be approved by the principal using MCPS Form 280-54, with a summary spreadsheet detailing the IAF account(s) to be charged, prior to expenditure of funds (refer to the *MCPS Financial Manual*, chapter 20, page 6). In our sample of disbursements, we found instances in which purchases were not pre-approved, MCPS Form 280-54 was not always

used when paying MCPS i-Payment invoices, MCPS documentation supporting purchases 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 MCPS iPayments be reviewed and approved by principal using MCPS Form 280-54, support documents be marked “paid”, the purchase be verified as complete by the recipient, and that the invoice/packing slip be marked “received” and signed/dated by the recipient when goods are received at the school. Requiring invoices to be marked “received” ensures that goods or services have been satisfactorily received prior to payment.

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 and dated by the principal, must contain all expense information, any subsidy information, and the field trip cost to be charged per student. The secretary must establish a separate account in the IAF for each trip. Sponsors of field trips must have a complete class or club roster of student names to annotate the amount each student paid, the 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). School Cash Online (SCO) item attachment report may replace the field trip accounting sheet as long as all eligible students have data entered such as paid, waived, scholarship, or did not attend. This report must be reviewed and initialed by the sponsor. In your action plan, you indicated that field trip sponsors would prepare records with comprehensive data for all students and reconcile funds with the cost of the trip. We found that not all sponsors were providing completed data at the conclusion of each trip, and that data was not being reconciled to the final account history report. In addition, SCO was not properly maintained to report all payments received at the school. We recommend that all payments be processed in SCO and that field trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent to provide complete data at the conclusion of each trip. This data must be reconciled by the secretary with remittances recorded in activity accounts.

Notice of Findings and Recommendations

- Monthly reports, including the bank reconciliations, must be completed and furnished to the principal by the 20th of the month following the end of each month (**repeat**).
- All receipts must be accounted for to ensure integrity of the register and any with errors must be voided in the system. (**repeat**).
- Receipts numbers in SFO must match the number printed on the receipt stock.
- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement and purchase invoices and receipts must be annotated as paid to indicate disbursement was made.

- 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 (**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 Dr. Yolanda R. Allen, director of school support and improvement, Office of School Support and Improvement, for written approval of your plan. Based on the audit recommendations, Dr. Allen 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:HT:rg

Attachment

Copy to:

Members of the Board of Education

Dr. Taylor

Mrs. Alfonso Windsor

Ms. Dempsey

Dr. Johnson

Dr. Moran

Mrs. Williams

Mr. McGee

Mr. Reilly

Mrs. Chen

Dr. Allen

Mr. Klausling

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: July 18, 2024	Fiscal Year: FY25
School or Office Name: Takoma Park Elementary School	Principal: Zadia T. Gadsden
OSSWB Associate Superintendent: Mr. Sean McGee	OSSWB Director: Dr. Yolanda Allen
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>4/1/21-5/31/24</u>, strategic improvements are required in the following business processes :</p> <p>Bank reconciliation, register errors, pre-approval for purchases and field trip reconciliations</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
The administrative secretary will, by the 10th of each month, contact the Visiting Book Keeper to schedule the visit and submit the bank reconciliation to the principal no later than the 20th of each month.	Administrative Secretary (Johanna Paz)	Bank Statement	calendared meetings	Zadia Gadsden	Bank reconciliations complete by the 20th of each month.
A log of dual control will be maintained to record the beginning and ending numbers on receipt stock to make sure errors on receipts can be identified and properly voided.	Administrative Secretary (Johanna Paz)	Training for principal and assistant principal	TBD		Errors voided in the system and marked " void" on the actual receipt
Ensuring the matching of receipt numbers in SFO to numbers on the receipt	Administrative Secretary (Johanna Paz)	Receipt book	Receipt book	Zadia Gadsden	SFO numbers match the receipts
Invoices for received items, specifically i-Payment invoices, will be signed by the requester as received prior to reimbursement. The invoice will then be marked "paid" prior to reimbursement.	Administrative Secretary (Johanna Paz)		Records reviewed monthly	Zadia Gadsden Joi Hollis	Invoices marked paid and received

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
All field trips will be set up in School Cash Online to include the fees required.	Administrative Secretary (Johanna Paz)	SCO	SCO accounts monitored	Zadia Gadsden & Joi Hollis, when field trips are scheduled	
Field trip sponsors will use MCPS Form 280-41 to complete data at the end of the field trip.	Field trip sponsors	Training for field trip sponsors		Field Trip Sponsors (Classroom Teachers)	Form 280-41 completed
Administrative Secretary will deliver training to teachers during pre-service to ensure the proper procedures are followed for field trips.	Administrative Secretary (Johanna Paz)	Field trip protocol and forms		Zadia Gadsden & Joi Hollis	Training held for staff
Administrative Secretary, Assistant Principal and Principal will attend training on school funds.	Administrative Secretary Assistant Principal & Principal	PDO # 90754		Zadia Gadsden	Training attended
A printer will be purchased to minimize errors with receipts (to be placed in the principal's office where money will be counted and receipts created).	Principal			Zadia Gadsden, End of October	Printer purchased
All purchases will be pre-approved by the principal using the 280-54 prior to reimbursement. This is to include payments for field trips and all funds being disbursed.	Principal & Administrative Secretary		Pre-approval requests signed prior to purchase and final invoices time and date stamped for verification of pre-approval.	Zadia Gadsden	Final invoices and MCPS iPayment records will be dated and retained.

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

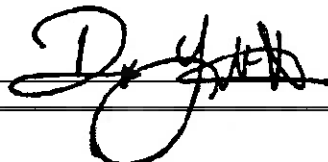
OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved

Please revise and resubmit plan by _____

Comments:

Director: _____



Date: 8/15/24