

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

September 1, 2023

MEMORANDUM

To: Mrs. Erin L. Martin, Principal
Takoma Park Middle School

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



Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2022, 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 18, 2023, meeting with you and Ms. Katherine A. Mccarthy, school financial specialist, we reviewed the prior audit report dated March 3, 2022, 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. It should be noted that Ms. Mccarthy's assignment as school financial specialist was effective April 17, 2023.

Findings and Recommendations

The General Ledger Report must be prepared and given to you no later than the 20th day following the close of each month (refer to the *MCPS Financial Manual*, chapter 20, page 9). Your review of these reports is critical to the management of the IAF so that sound business decisions can be made when requests for purchases are submitted. We found that the monthly general ledger report was not printed, reviewed or signed by preparer or principal. We recommend that the year-to-date

general ledger report be printed and filed with the bank reconciliation month end reports. Preparer and principal must review, sign and date these reports.

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, or there is a balance, and be required to verify that transactions have been correctly recorded and the ending balance is correct. We noted that the former financial specialist did not provide monthly account history reports to the sponsors. The 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 10).

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, pages 4-5). 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. Additionally, all disbursements must have adequate documented support, such as a vendor itemized invoice or original receipt. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt, and then your financial specialist will mark the documentation as “paid” prior to disbursing the funds. In our sample of disbursements, we found 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, purchases not pre-approved on MCPS Form 280-54, documentation supporting purchases were 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 also found that some items purchased by staff member’s for reimbursement were shipped to home addresses, and not all contracts were signed by the principal. By requiring prior approval, the principal retains control over the expenditure of IAF funds. Also obtaining a vendor invoice or original receipt will provide documentation of what is being purchased, when the item was purchased, and if the purchase was appropriate for the funding source. 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 MCPS Form 280-54 be prepared by staff detailing items being purchased, and that staff submit adequate documentation for the purchase when presented to the financial specialist for payment. The financial specialist must then review the documentation to ensure it is adequate to support the disbursement. In addition, we recommend that all support documents be marked “paid”, items only shipped to the school address, 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. The principal is the only person at the school that is authorized to sign contracts.

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. In addition, you are to send your statement of account landscape, with receipts attached, to your director for review and approval. We found no evidence that these statements had been provided to your director for review, and none of your transactions have been approved in the online system. 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 financial specialist, along with a completed MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Form*. An important internal control is for the sponsor to complete MCPS Form 280-34 in its entirety and submit it to the financial specialist. The MCPS Form 280-34 and funds are to be reviewed and verified by the financial specialist in the presence of the remitter or another staff member. 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. Each receipt must indicate the source of funds when entered in School Funds Online (SFO), and the receiptee must be the remitter or the entity providing the funds (refer to the *MCPS Financial Manual*, chapter 7, pages 4-5). During our review of cash receipts, we found that at times funds were taken to the bank and later receipted in SFO. We also found staff were holding funds and not remitting to the financial specialist when received, and that funds had been held over the allowable *Cash Holding Authority (CHA)* by sponsors and the financial specialist. Additionally, we noted that the funds remitted are not always being verified under dual control. We recommend that all sponsors are reminded that they must remit funds on the day they are collected and that the financial specialist deposits funds to the bank promptly to minimize the risk of loss, and always before each weekend or holiday. In addition, we recommend staff be required to prepare and submit MCPS Form 280-34 in its entirety to the financial specialist daily and that the school financial specialist is to verify that MCPS Form 280-34 is completed properly in the presence of the sponsor, any discrepancies should be corrected and initialed by both parties at that time. Additionally, the sponsors and financial specialist must prioritize time to insure funds are counted under dual control at the time of receipt. Staff also should monitor their remittances to the financial agent to ensure they receive a receipt in a timely manner.

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 and director of office of school support and well-being, when required, must be retained. The financial specialist 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, date paid, eligible students who did not participate in the trip, and students who received waivers, scholarships, or reduced fees. If all data is entered into School Cash Online (SCO) the item attachment report may be used in lieu of MCPS Form 280-41, *Field Trip Accounting*. This data together with a list of all chaperones and volunteers must be provided to the financial specialist 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). 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 found that planning for the trips were not well develop and caused many field trips to have shortages. We also found one field trip was recorded in four different IAF accounts and approval for an extended day and June field trip was not submitted to OSSWB for approval. We recommend all sponsors be required to follow the procedures outlined above and that they provide field trip accounting forms or an equivalent to the financial agent at the completion of a trip. This data must be reconciled by the financial specialist with remittances recorded in activity accounts.

Notice of Findings and Recommendations

- Monthly general ledger report must be provided to principal for review and signature.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the financial agent.
- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement, and receipts must be annotated as paid.
- Purchase documentation must be adequate to support disbursements.
- Contracts must be signed by the principal or acting principal.
- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide*.
- Cash and checks (funds) collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the financial specialist and counted under dual control.
- Cash and checks (funds) remitted by sponsors must be promptly verified and receipted, prior to being deposited in the bank. All funds must be deposited before each weekend, holiday or end of month.
- Field trip records prepared by sponsors must provide comprehensive data to account for all eligible to participate, including volunteers and chaperones, and financial specialist must reconcile funds collected with account history report.
- Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses.

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 school support and well-being, Office of Student Support and Well-Being, 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 financial specialist to support you with developing a well-defined plan to address the findings.

MJB:YSG:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. Hull

Dr. Murphy

Ms. Morris

Mr. Stockton

Mrs. Williams

Dr. Moran

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mr. McGee

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:FY24 **Fiscal Year:**FY24 **School:**Takoma Park MS - 755 **Principal:**Erin L Martin

OSSWB Associate Superintendent:Peter Moran **OSSWB Director:**Sean McGee

Strategic Improvement Focus: As noted in the financial audit for the period of 1/1/22-5/31/23, 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
Include a checklist of deliverables with the bank reconciliation to ensure all reports are provided to the principal on a monthly basis.	Katherine McCarthy	Checklist provided by MCPS business center	Reconciliation folder with completed checklist	Erin Martin,monthly	
Sponsor Reports printed monthly after reconciliation, placed in mailboxes. Emails sent to sponsors letting know they have been delivered with a due date. Follow up if they are not returned.	Katherine McCarthy	Sponsor Reports Email Calendar Reminder	Calendar Reminder	Katherine McCarthy- Monthly then Erin Martin, Monthly	
All staff who wish to purchase anything using IAF or instructional funds must fill out 280-54 form for review by Katherine McCarthy and Erin Martin to be signed before the purchase is made.	Katherine McCarthy then Erin Martin	280-54 Staff training	280-54 Staff training	Katherine McCarthy then Erin Martin	

Given staff training, create an escalated response plan to hold staff accountable to following the appropriate financial procedures	Katherine McCarthy Erin Martin	Escalated response plan	evidence via form 280-54	Katherine McCarthy, Erin Martin	Plan Created and operationalized
Financial training on a semester basis for all TPMS staff	Katherine McCarthy	Training presentation check for understanding	attendance log Quiz results	Katherine McCarthy Erin Martin	
Create schedule for completing month tasks to occur on the same date of each month	Katherine McCarthy Erin Martin	Calendar invites	Calendar invites Principal review	Erin Martin Monthly	Calendar invites have been created
All staff who wish to sponsor a field trip are required to have a planning meeting with Katherine McCarthy prior to the Principal's approval of the trip	Katherine McCarthy	Field trip check-list training presentation	review completed field trip packet including the check list	Katherine McCarthy Tracy Mickens-Hundley Erin Martin	
Establish and communicate with staff members who are collecting money to set a	Katherine McCarthy	Staff Training	Review of staff training for remitting money	Katherine McCarthy	

<p>timeline when they can remit money with Katherine McCarthy in her office.</p> <p>Give Erin Martin bank deposit analysis to sign immediately after going to the bank.</p>	<p>Then Erin Martin</p>		<p>after collecting</p>	<p>Erin Martin</p>	
<p>All sponsors have been informed that only Ms. Martin can and should sign contracts. If contracts have been signed by anyone else, please contact the vendor for a new contract and then submit to Ms. Martin to have her sign it and submit to the vendor. Once this has been completed, please forward the new contract over to Katherine McCarthy for her files.</p>	<p>Erin Martin Katherine McCarthy</p>	<p>Staff training and reinforcing staff of MCPS policies</p>	<p>Contracts from vendors Staff training</p>	<p>Erin Martin Katherine McCarthy</p>	

<p>Purchaser must confirm on the invoice with 280-54 or p-card landscape that the items were received. All receipts purchased by Katherine McCarthy will be marked, received and paid in a timely manner. Any receipts will be copied and attached to the original for purposes of record keeping.</p>	<p>Katherine McCarthy, then Erin Martin</p>	<p>Staff Training 280-54 proper documentation</p>	<p>Staff Training</p>	<p>Katherine McCarthy, Erin Martin</p>	
<p>A list of all P-card holders has been made. An email reminder has been set up to submit a P-card landscape. A follow-up email will be sent to those who have not submitted or did not submit proper documentation.</p>	<p>Katherine McCarthy</p>	<p>Email Calendar Reminder Calendar invite</p>	<p>Staff Training Email reminder with list of what is needed for proper purchase submission</p>	<p>Katherine McCarthy Erin Martin</p>	<p>Calendar invites have been created</p>

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved

Please revise and resubmit plan by _____

Comments: _____

Director:  _____

Date 10/27/2023