

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

May 16, 2023

MEMORANDUM

To: Mrs. Pamela S. Nazzaro, Principal
Thurgood Marshall Elementary School

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



Subject: Report on Audit of Independent Activity Funds for the Period
June 1, 2020, through March 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 May 4, 2023, meeting with you; Ms. Linette K. Granado-Lobo, school administrative secretary (secretary); and Ms. Pamela K. Dunn, visiting bookkeeper, we reviewed the prior audit report dated August 3, 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.

Findings and Recommendations

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain the principal's approval to proceed with an intended purchase. After acquisition, the purchaser must submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the secretary. Upon disbursement, the documentation is to be stamped or marked "paid" to preclude duplicate payment (refer to the *MCPS Financial Manual*,

chapter 20, page 6). In our sample of disbursements, we noted instances in which invoices were not annotated by purchasers to indicate that purchased goods or services were satisfactorily received, and documentation supporting purchases were not consistently stamped or marked “paid”. All IAF purchases must comply with MCPS procedures.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS Purchasing Card User’s 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 approver, with all purchase receipts and invoices attached. The approver must review each cardholder’s transactions and approve them by the 10th of the following month, using the online reconciliation program. The principal’s card transactions are to be reviewed and approved by Mr. David W. Adams, director of school support and well-being, Office of School Support and Well-Being. We found that the principal had not consistently entered information in the three required data fields (notes, account number, and staff/student account), and did not consistently indicate whether the receipt of goods or services was satisfactory received. It was noted that even though the school has sent a copy of the Statement of Account Landscape, with receipts attached to the director’s office, the principal’s transactions have not been approved 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.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities must be remitted promptly and intact 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. 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). In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and give the sealed envelope to an administrator to secure in the business office safe. Verification of these funds must be conducted in the presence of the remitter or another staff member by the next business day. In your action plan, you indicated that your secretary would track when sponsors collected and remitted funds. We found instances in which funds were held by sponsors rather than being remitted on a daily basis to the secretary, and they were not always promptly deposited into the school’s bank account. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected must be remitted daily to the secretary. 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.

Notice of Findings and Recommendations

- Purchaser must confirm receipt of goods or services prior to disbursement.
- Purchase invoices must be annotated as “paid” to indicate disbursement was made.

- Cash and checks (funds) collected by sponsors must be promptly remitted to the secretary and deposited in the bank by end of the month and before each weekend or holiday (**repeat**).
- Purchase card transactions of the principal must be reviewed and approved by the respective director of school support and well-being, Office of School Support and Well-Being.

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. David W. Adams, 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. Adams 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 secretary to support you with developing a well-defined plan to address the findings.

MJB:AMB:rg

Attachment

Copy to:

Members of the Board of Education
Dr. McKnight
Mr. Hull
Dr. Murphy
Ms. Reuben
Mr. Stockton
Mrs. Williams
Dr. Redmond Jones
Mr. Reilly
Mr. Adams
Mrs. Chen
Ms. Eader
Mr. Klausung
Mrs. Ripoli
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY23	Fiscal Year: FY23
School: Thurgood Marshall ES - 244	Principal: Pamela Nazzaro
OSSWB Associate Superintendent: David Adams	OSSWB Director: Michael Zarchin
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>6/1/20 - 3/31/23</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
The purchaser will confirm receipt of goods or services prior to disbursement for IAF purchases.	Administrative Secretary Purchaser	Received Stamp	IAF invoices will have "received" noted on them as items are received.	Principal- bi-weekly with the Administrative Secretary	
Invoices will be annotated with "paid" to indicate disbursement was made.	Administrative Secretary	Paid Stamp	The invoice will be marked "Paid" when payment is made with the date.	Principal - bi-weekly with the Administrative Secretary	
Cash and checks (funds) collected by sponsors will be counted in front of the administrative secretary and documented using form 280-34. Administrative secretary will sign form as documentation of receipt and sponsors will make a copy of the signed form for their records. Cash will be submitted by sponsors on a daily basis.	Administrative Secretary	Remittance forms Deposit documentation	Receipts of funds submitted and bank deposit statements. Memo of absence by Administrative Secretary	Principal - at the end of each week with Administrative Secretary	
Admin secretary will make daily deposits. Especially at the end of the month and before each weekend or holiday.					

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchase card transactions of the principal must be reviewed and approved by the respective director of school support and well-being, Office of School Support and Well-Being.	Director of School Support and Well-Being Designated secretary in	Online reconciliation program for JP Morgan	Online reconciliation program for JP Morgan with OSSWB secretary in charge of approving principal purchases	Director of School Support and Well-Being, Monthly	
	OSSWB that approves principal transactions	Statement of Account Landscape from school	OSSWB Director Signature on Statement of Account Landscape		

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved Please revise and resubmit plan by _____

Comments:

Director:  Date: 8-11-23