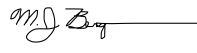


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

March 10, 2021

MEMORANDUM

To: Mrs. Irina LaGrange, Principal
Tilden Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2019, through January 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 March 1, 2021, virtual meeting with you, and Ms. Irma Mendez, school financial specialist, we reviewed the prior audit report dated June 24, 2019, 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

Schools are encouraged to contact payees who have not cashed or deposited checks within 60 days and replace checks if lost or damaged to minimize the required escheat filing (refer to the *MCPS Financial Manual*, chapter 18, page 2). Checks that are not cashed by their payees within 180 days of issuance are considered abandoned property and, by law, belong to the State of Maryland. It is recommended that only if the payee provides a signed document or an email stating

that the check was lost/destroyed and asks for a replacement check should the reissuance of a check be granted. Payees also can request in writing that the check not be reissued and the funds are donated back to the school. In order to comply with the State of Maryland law and to eliminate additional work, if payee authorization is not received, we recommend checks be escheated annually using the process outlined on the Division of Controller website (refer to *MCPS Financial Manual*, chapter 20, page 12).

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 school financial specialist should mark the documentation as "paid." In our sample of disbursements, we found instances in which controls over purchases were weakened that included documentation missing or not adequate to assure the school benefited from the purchase, MCPS Form 280-54 not signed by the principal in advance of the purchase, documentation supporting purchases not stamped or marked "paid," and documentation not annotated by the recipient to indicate purchased goods or services were satisfactorily received. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAFs. Your financial management action plan, in response to the previous audit, stated that purchase preapproval requirements would be reviewed with staff members. We recommend that MCPS Form 280-54 be prepared by staff with an estimate and signed by you at the time verbal approval is sought and that complete documentation should be attached to fully explain the reason for the purchase.

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 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 tenth of the following month, using the online reconciliation program. We found that some cardholders had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the principal had not approved all transactions online. Your financial management action plan, in response to the previous audit, stated purchase card transactions would be reviewed and approved in a timely manner. 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. 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, pp. 4-5). We noted sponsors continue to hold fees collected rather than remitting them to the financial specialist on a daily basis. Your financial management action plan, in response to the previous audit, stated that sponsors would promptly remit all funds collected and the school financial specialist will promptly verify receipt and deposit remittances

at the bank. To minimize the risk of loss, all funds collected should be remitted daily. We recommend that staff be reminded to submit cash and checks collected for IAF activities to the school financial specialist for prompt deposit in accordance with MCPS policy and procedures.

Notice of Findings and Recommendations

- Uncashed checks must be remitted to the State, in accordance with the MCPS escheat process.
- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide* (**repeat**).
- Cash and checks (funds) collected by sponsors must be promptly remitted with MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, to the school financial specialist (**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. Rotunda Floyd-Cooper, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Dr. Floyd-Cooper 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 school financial specialist to support you with developing a well-defined plan to address the findings.

MJB:ABP:lsh

Attachment

Copy to:

Members of the Board of Education
Dr. Smith
Dr. McKnight
Ms. Stratman
Dr. Wilson
Mrs. Williams
Mr. Koutsos
Mrs. Chen
Dr. Floyd-Cooper

Mrs. Irina LaGrange

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March 10, 2021

Mr. Klausing
Mr. Marella
Mr. Tallur
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:

Fiscal Year:

School:

Principal:

**OTLS
Associate Superintendent:**

**OTLS
Director:**

Strategic Improvement Focus:

As noted in the financial audit for the period _____, 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

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 type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director: _____	Date: _____