

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 4, 2024

MEMORANDUM

To: Ms. Sapna Hopkins, Principal
Tilden Middle School

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



Subject: Report on Audit of Independent Activity Funds for the Period
August 1, 2022, through March 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 May 23, 2024, meeting with you and Mrs. Darian M. Sessoms, school financial specialist, we reviewed the prior audit report dated September 30, 2022, and the status of the present conditions. It should be noted that Mrs. Sessoms assignment was effective August 8, 2023. 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 principal approval to proceed with an intended purchase (refer to the *MCPS Financial Manual*, chapter 20, page 4). This form must be completed in its entirety and the purpose of each disbursement must be fully explained on this form 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 financial specialist will then mark the documentation as “paid” prior to disbursing the funds. In your action plan, you indicated that purchases would not be reimbursed if not pre-approved, all documents would be stamped paid, and purchasers would sign invoices to show receipt. In our sample of disbursements, prior approval was not consistently obtained. We also noted that MCPS Form 280-54 was not always attached to the disbursements, not always signed and dated by the principal, or prepared when paying MCPS iPayments. We also noted instances in which controls over purchases were weakened including documentation supporting purchases not always adequate, 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 for all disbursement with an estimate of expected expenditure and signed/dated by the principal at the time verbal approval is sought, and that the financial specialist completes MCPS Form 280-54 for all iPayments. MCPS Form 280-54 must be completed in full by sponsor, financial agent, and principal to include account name/number to be charged, the request date, the balance available in the account, and the signatures of the sponsor, financial agent, and principal. After MCPS Form 280-54 is approved and payment is processed the financial specialist must complete part B to include the following information: check date, check number, and check amount. We also recommend that all support documents be marked paid, and when goods are received at the school that the purchase be verified as complete by the recipient and that the invoice/packing slip be marked “received” and signed/dated by the recipient. Requiring invoices to be marked “received” ensures that goods or services have been satisfactorily received prior to payment.

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 tenth of the following month, using the online reconciliation program. Once all documents are submitted, reviewed and approved they should be filed with IAF records in a systematic manner. In your action plan, you indicated that all transactions would be reviewed by cardholders and approved by you in a timely manner using the online system. We found that some cardholders had not promptly prepared their monthly statements, provided description of items purchased, indicated IAF account number when required, or attached their purchase receipts. We also found that the principal had not approved all transactions online. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements and that a process is implemented to ensure all required documentation is received and filed in a systematic manner.

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the financial specialist. To minimize the risk of loss, all funds collected must be remitted daily with a completed MCPS Form 280-34 *Independent Activity Fund (IAF) Remittance Slip*, to the financial specialist and verified in the presences of a MCPS staff member. The funds must be deposited promptly and 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). We recommend staff be reminded to submit cash and checks collected for IAF activities to the financial specialist for prompt deposit and that the financial specialist deposit funds in the school bank account in accordance with MCPS policy and procedures.

Internal control is a process of interconnected policies, regulations, and procedures, as well as employees' attitudes and actions that work together to provide a system of checks and balances to achieve proper authorization of expenditures and safeguarding of assets. The principal is the individual who has the overall fiduciary responsibility for the IAF (refer to the *MCPS Financial Manual*, chapter 20, page 4). We noted that your Parent Teacher Student Association (PTSA) is contracting and paying vendors directly for school events and receiving reimbursement from the school for the expenditures which is prohibited. To ensure MCPS procurement policies and procedures are adhered to, we recommend that the school contract with and disburse funds to all vendors in which the PTSA chooses to support with funding and that the PTSA reimburses the school for those expenditures (refer to *MCPS Financial Manual*, chapter 20, page 17).

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-raiser*. All fund-raisers must be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund-raising activity must be recorded in a separate account in the 7000 series and a completion report prepared that analyzes the results (refer to the *MCPS Financial Manual*, chapter 20, page 13). We found not all sponsors were preparing fund-raiser request forms to obtain principal approval prior to the start of an activity. We also noted that sponsors, school financial specialist, and the principal were not reviewing or signing a completion report when the fund-raiser was finalized. We recommend following these internal control procedures to provide for accountability of funds raised, as well as the opportunity to evaluate the results after the event.

Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise. Taxable merchandise includes yearbook, school store, fund-raiser items, physical education clothing, and other items that become the personal property of the individual making the purchase (refer to the *MCPS Financial Manual*, chapter 18, page 2). We recommend that the school work toward full compliance by working with sponsors to determine activities for which sales tax must be collected and ensure that documentation of sales tax amount remitted is kept on file at the school.

MCPS Regulation DMB-RA, *Control of Admission Receipts*, sets forth procedures for the control of admission receipts for school events. The accounting for these events must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, to track and reconcile sales, and a perpetual inventory of tickets (refer to the *MCPS Financial Manual*, chapter 20, page 13). We noted multiple admission events in which funds were collected but MCPS Form 280-50 was not completed and there was no documentation of tickets being issued. Other weaknesses include the lack of a perpetual inventory of tickets. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events for compliance with the above cited MCPS requirements.

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement and be documented using a completed MCPS Form 280-54 (**repeat**)
- Purchaser must confirm receipt of goods or services prior to disbursement and invoices and receipts must be annotated as paid (**repeat**).
- Purchase documentation must be adequate to support disbursements.
- Purchase card transactions must be documented, reviewed, and approved by the principal (**repeat**).
- Cash and checks (funds) collected by sponsors must be promptly remitted and financial specialist must deposit funds to the bank timely.
- School-affiliated organizations (PTSA) must not pay vendors directly for services.
- Fund-raisers must be approved by the principal prior to advertising or conducting the activity.
- Fund-raiser completion reports must be prepared by the sponsor for review by the principal.
- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

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 Ms. Natasha Bolden, executive director of school support and well-being, Office of School Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Ms. Bolden 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:LMB:rg

Attachment

Copy to:

Members of the Board of Education
 Dr. Felder
 Mr. Hull
 Dr. Johnson
 Ms. Dempsey
 Dr. Moran
 Mrs. Williams
 Mr. Adams

Mr. Reilly
 Ms. Bolden
 Mrs. Chen
 Ms. Eader
 Mr. Klausling
 Mrs. Ripoli
 Dr. Zarchin
 Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: June 4, 2024	Fiscal Year: FY 23-24
School or Office Name: Tilden Middle School	Principal: Sapna Hopkins
OSSWB Associate Superintendent: Mr. David Adams	OSSWB Director: Dr. Michael Zarchin
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>8/1/22-3/31/24</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
Make sure all RFPs are preapproved before purchasing. This includes online and in-store ordering. If approval was given via email, attach it	Financial Specialist Sponsors Principal	280-54	Review processes with staff to ensure the forms are completed properly and at the proper time prior to purchasing	Financial Specialist Principal For every request/Daily	Purchase requests must be approved by the principal prior to procurement and be documented using a completed MCPS Form 280-54
Review all receipts to ensure purchases were received. Stamp "Paid" and "Received" on the receipts. Also verify the shipment and delivery address that products are shipped to Tilden and not the home address.	Financial Specialist		After each payment is finalized, make sure all receipts are stamped. Remind staff prior to purchasing that all deliveries are made to the sc	Financial Specialist For every request/Daily	Purchaser must confirm receipt of goods or services prior to disbursement and invoices and receipts must be annotated as paid
Make sure all receipts for purchases are attached and match the approved reimbursement amount.	Financial Specialist Sponsors			Financial Specialist For every request/Daily	Purchase documentation must be adequate to support disbursements.
Ensure cardholders must print the Statement of Landscape for principals review each month regardless of payment activity. If there is payment activity, the purchase card holder must submit receipts associated with purchases when presented to designated approver.	Cardholders Financial Specialist Principal		Outlook calendar to set reminders for review and signing process.	Financial Specialist Principal Monthly	Purchase card transactions must be documented, reviewed, and approved by the principal


Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Make sure activity sponsors are remitting funds to the Financial Specialist promptly by reminding them daily to turn in collected funds throughout the activity. Set a designated time to take deposits to the bank daily.	Financial Specialist Activity Sponsors		Review guidelines with activity sponsors at the start of the planning to make sure they understand the process and procedures for cash handling.	Financial Specialist Activity Sponsors Daily/Duration of the activity	Cash and checks (funds) collected by sponsors must be promptly remitted and financial specialist must deposit funds to the bank timely.
Ensure PTSA understands the process involving paying vendors for school activities. PTSA must not pay vendors directly for services. Payments should be made from the designated accounts for the specified activity and then school will reimburse PTSA from the designated accounts.	Financial Specialist		Go over steps with the PTSA prior to all events and reimbursements for activities.	Financial Specialist Principal	School-affiliated organizations (PTSA) must not pay vendors directly for services.
Ensure activity sponsors follow the proper procedures for FR. Staff must gain approval prior to advertising fundraisers.	Financial Specialist Activity Sponsors		Outline expectations to activity sponsors when planning to host fundraisers.	Financial Specialist Activity Sponsors Principal For every request	Fund-raisers must be approved by the principal prior to advertising or conducting the activity.
Activity sponsors must submit a FR completion report after every activity.	Activity Sponsors Financial Specialist Principal	FR Completion report is found on Business Hub.	Make sure activity sponsors have the proper paperwork prior to the start of a FR	Financial specialist Principal Activity Sponsor For every request	Fund-raiser completion reports must be prepared by the sponsor for review by the principal
Financial agent must calculate sales tax for each taxable item then transfer funds from the activity account to Sales Tax 0095 account at the conclusion of the activity. Annually, the school will submit the sales tax payment on comptroller website to initiate the electronic ACH withdrawal transaction from the schools bank account.	Financial Specialist		Monitor items sold during FR to make sure taxes are calculated properly at the end of the activity.	Financial Specialist As needed	Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.
tickets must be distributed for all admission events using numbered tickets. Tickets should then be submitted to FS after events in order to tally the number of tickets sold for the event.	Financial Specialist Activity Sponsor	pre-numbered tickets	Make sure activity sponsors has tickets for the activities and are tallied prior to and after the activity.	Financial Specialist As needed	Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

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: 7/19/2024