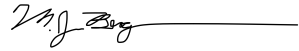


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 9, 2023

MEMORANDUM

To: Mrs. M. Deneise Hammond, Principal
Waters Landing Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2021, through April 30, 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 23, 2023, meeting with you; Mrs. Padma Radhakrishnan, school administrative secretary (secretary); and Mrs. Pamela Dunn, visiting bookkeeper, we reviewed the prior audit report dated February 23, 2022, and the status of the present conditions. It should be noted that your appointment as principal was effective on July 1, 2022, and your secretary's assignment was effective on December 18, 2022. 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 including those payments to MCPS (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. In our sample of disbursements, we found instances in which controls over purchases were weakened including not all purchase requests were pre-approved, MCPS Form 280-54 was not always being prepared when paying MCPS iPayment, documentation was missing or not adequate to assure the school benefited from the purchase, documentation supporting purchases were not always 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, and that MCPS Form 280-54 be prepared prior to paying MCPS invoices. 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 sign/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 User’s Guide*. By the fifth business day of the following month, cardholders must use the online program to identify, describe, and review transactions. Monthly statements 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 their director of school support and well-being, Office of School Support and Well-Being. We found that cardholders had not always prepared the monthly statements, provided purchase receipts, or reviewed transactions in the online reconciliation program. We also noted that the director had not approved the principal’s transaction in the online program. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We found that there was a lack of adherence to these guidelines. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. For those fund raisers using an independent contractor, MCPS Form 280-49A, *Authorization for Consultant/Independent Contractor (Vendor) Services* must be completed before starting. Each fund raiser 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).

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. 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). 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 recommend that all sponsors be required to use MCPS Form 280-41: *Field Trip Accounting*, or equivalent, and follow the procedures outlined above. We also recommend that the secretary reconcile each trip upon completion.

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement.
- MCPS Form 280-54 must be prepared prior to paying MCPS invoices.
- Purchaser must confirm receipt of goods or services prior to disbursement and all supporting documentation must be stamped "Paid".
- Purchase card transactions must be reviewed and approved on line and the principal's transactions must be reviewed and approved by the respective director of student support and well-being, Office of Student Support and Well-Being.
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser* and completion reports prepared by sponsors must provide sufficient information to analyze results.
- Field trip records prepared by sponsors must provide comprehensive data to account for all eligible to participate, including volunteers and chaperones, and must be reconciled by the secretary (**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 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:PJM:rg

Attachment

Copy to:

Members of the Board of Education
Dr. McKnight

Mr. Hull
Dr. Murphy
Ms. Morris
Mr. Stockton
Mrs. Williams
Dr. Redmond-Jones
Mr. Reilly
Mr. Adams
Mrs. Chen
Ms. Eader
Mr. Klausling
Mrs. Ripoli
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: June 30, 2023

Fiscal Year: June 30, 2023

School: Waters Landing ES - 109

Principal: Mrs. M. Deneise Hammond

OSSWB

Associate Superintendent: Dr. Donna Redmond Jones

OSSWB

Director: Mr. David Adams

Strategic Improvement Focus:

As noted in the financial audit for the period 12/1/21-4/30/23, strategic improvements are required in the following business processes :
disbursements, field trips, fund raising and purchasing


Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchase requests must be approved by the principal prior to procurement. Principal will approve purchases by signing 280-54.	Administrative Secretary and Principal	280-54	280-54 created for all purchasing requests	Administrative Secretary and Principal when purchases are requested	280-54 signed by principal for every invoice
MCPS Form 280-54 must be prepared prior to paying MCPS invoices. Administrative Secretary will complete financial agent section before preparing checks.	Administrative Secretary and Principal	280-54	280-54 completed for all checks written	Administrative Secretary when checks are written	280-54 and attached documentation marked as received prior to payment
Purchaser must confirm receipt of goods or services prior to disbursement and all supporting documentation must be stamped "Paid". Purchasers will inventory purchases and provide a copy of the invoice or packing slip marked as received, identifying any missing items,	Administrative Secretary, Principal, Team Leaders and other staff who make purchases	none	Invoice packing slips	When items are received or services rendered by purchaser	Invoices and/or packing slips marked as received
Principal and Administrative Secretary will review and approve purchase card transactions and print and sign the statement of account. Administrative Secretary will forward the principal's signed statement of account to be reviewed and approved by the designated person in OSSWB.	Administrative Secretary, Principal and Central Office approver	none	JP Morgan emails and website	First week of each month by Administrative Secretary and Principal	Folder of signed statement of accounts with receipts attached

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
The principal will authorize or deny fundraising activity on a Fund Raiser Request form submitted by the event sponsor. If approved, the event sponsor will meet with Mrs. Foringer to ensure that the Guidelines for Sponsoring an IAF Fund Raiser are followed	Administrative Secretary and Principal	Fund Raiser Request forms	Fund Raiser Request forms Account created for each fund raiser	Approved by Principal and reviewed by Administrative Secretary at end	Fund Raiser Request Form and completion report; account for each fund raiser recorded in a separate account
280-4, Field trip Accounting form prepared by sponsors and submitted to the office daily. Administrative secretary will review to ensure comprehensive data to account for all eligible to participate, including volunteers and chaperones, and reconcile funds to ensure amounts are correct.	Administrative secretary and Field Trip Sponsors	280-41, Field Trip Accounting Form	Field trip records submitted daily leading up to the trip	Reviewed daily leading up to the field trip by Mrs. Foringer	Class rosters annotated with amount each student paid by cash or check, date paid, eligibility for scholarships attached to a list of all chap

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved Please revise and resubmit plan by _____

Comments:

Director:  Date: 6/30/23