


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

April 12, 2022

MEMORANDUM

To: Mr. Craig W. Staton, Principal  
Julius West Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
August 1, 2020, to January 31, 2022

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 fund-raisers. 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 April 1, 2022, meeting with you; Mrs. Ana Navarro, school financial specialist, we reviewed the prior audit report dated September 24, 2020, and the status of present conditions. It should be noted that Mrs. Ana Navarro's assignment as your school financial specialist was effective January 4, 2021. 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

Payment to MCPS for items processed through the Business Hub must be made timely. We found that the school owed over \$6,000 to MCPS at the time of the audit and some invoices were as much as one year overdue. Payment must be made timely to MCPS for outstanding invoices. Additionally, the Hub Customer Statement of Account must be printed monthly as part of the

monthly reporting process for principal review. We recommend the Customer Statement of Account be reviewed monthly, and invoices be paid timely.

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 account, or the account has a balance. We found this essential internal control procedure was not being used. We recommend sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the statements must be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all statements are reviewed and returned (refer to the *MCPS Financial Manual*, Chapter 20, page 9).

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 done. Payees also can request in writing that the check not be reissued and the funds be 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).

Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, 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. Purchasers must sign invoices to indicate satisfactory receipt of goods or services prior to payments being processed. We recommend that when goods are received at the school, 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 (refer to the *MCPS Financial Manual*, chapter 20, page 13).

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 10th of the following month, using the online reconciliation program. We found that the school financial specialist had not prepared the monthly statements, provided purchase receipts, or reviewed transactions in the online reconciliation program. We also found that you had not approved any transactions online because the financial specialist had not reviewed her transactions. We

recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

#### Notice of Findings and Recommendations

- Payment to MCPS for items processed through the Business Hub must be made in a timely manner.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the financial agent.
- Outstanding checks must be reviewed regularly and escheated annually to comply with Maryland law following the process outlined in the annual memorandum from the Division of Controller (see attachment) and in the *MCPS Financial Manual*, chapter 20, page 12.
- The receiver must initial the invoice/packing slip to indicate goods/services are satisfactorily received (**repeat**).
- Purchase cardholders must print monthly statements, review transactions, and submit adequate transaction documentation for approval in accordance with the *MCPS Purchasing Card User's Guide*.

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. Peter O. Moran, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Dr. Moran 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:LMB:lsh

Attachments

Copy to:

Members of the Board of Education  
Dr. McKnight  
Mr. D'Andrea  
Dr. Dawson  
Ms. Reuben  
Mrs. Williams  
Dr. Dyson  
Mr. Reilly

Mr. Craig W. Staton

4

April 12, 2022

Mrs. Chen  
Mrs. Eader  
Mr. Klausling  
Dr. Moran  
Mrs. Ripoli  
Ms. Webb

**FINANCIAL MANAGEMENT ACTION PLAN**

|  |                       |
|--|-----------------------|
| <b>Report Date:</b>  | <b>Fiscal Year:</b>   |
| <b>School:</b>   | <b>Principal:</b>     |
| <b>OTLS Associate Superintendent:</b>  | <b>OTLS Director:</b> |
| <p><b><u>Strategic Improvement Focus:</u></b><br/>         As noted in the financial audit for the period _____, strategic improvements are required in the following business processes :</p> |                       |

| <b>Action Steps</b> | <b>Person(s) Responsible</b> | <b>Resources Needed</b> | <b>Monitoring Tools / Data Points</b> | <b>Monitoring: Who &amp; When</b> | <b>Results/Evidence</b> |
|---------------------|------------------------------|-------------------------|---------------------------------------|-----------------------------------|-------------------------|
|                     |                              |                         |                                       |                                   |                         |
|                     |                              |                         |                                       |                                   |                         |
|                     |                              |                         |                                       |                                   |                         |
|                     |                              |                         |                                       |                                   |                         |

| 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"/> <b>Approved</b>                           | <input type="checkbox"/> <b>Please revise and resubmit plan by</b> _____ |
| Comments: _____<br>_____   |  |
| Director: <u>  <i>Peter O. Moran</i>  </u> <small>ovz</small>      | Date: _____  |