

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 21, 2023

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
February 1, 2022, through August 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 October 20, 2023, meeting with you, and Ms. Ana Navarro, school financial specialist, we reviewed the prior audit report dated April 12, 2022, and the status of the present conditions. This audit report presents the findings and recommendations resulting from our examination of your school's IAF records and financial accounts for the period designated above.

Findings and Recommendations

Reconciliation of the school's monthly bank checking account statement must be completed by a person independent of daily accounting transaction input. Monthly reports, including the bank reconciliation, are to be presented to the principal no later than the 20th of the month following the close of each month. The principal shall review these reports, sign and date them to indicate their review, and return them to the financial specialist to be filed with other monthly reports (refer to the *MCPS Financial Manual*, chapter 20, page 9). We found that bank reconciliations were not always completed timely, and found no clear evidence that the reconciliation was completed independent of the financial specialist. We recommend that an independent staff member be

designated to perform the bank reconciliation by the 20th of the following month and that these reconciliations and all other monthly reports be reviewed, signed, and dated by the principal.

Schools are encouraged to contact payees who have not cashed or deposited checks within 60 days of issuance. The school can then replace checks if lost or damaged to minimize the required escheat filing process (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 by law and belong to the State of Maryland. MCPS issues a memorandum each year with the directions for the escheatment process which must be performed while completing the December bank reconciliation. It is recommended that the school financial agent reviews outstanding checks monthly and investigates why checks have not been timely cashed in order to avoid the required escheat filing process. In your action plan, you indicated that your financial specialist would review outstanding checks each month and would contact payees who had not deposited checks after 60 days. In our review, we found that you had not completed the escheatment process for Fiscal Years (FY) 2021, 2022, and 2023. In order to comply with the State of Maryland law, all checks that are not cashed within 180 days are to be escheated annually (refer to the *MCPS Financial Manual*, chapter 20, page 12). We recommend you become compliant with the State of Maryland and escheat all outstanding checks dated June 30, 2023, and before while completing the December bank reconciliation.

As a function of fiscal responsibility, it is important to process payments to vendors on a timely basis, which includes MCPS. This improves overall decision-making related to the analysis of IAF accounts with up-to-date expenditure information. In your action plan, you indicated that the customer statement of accounts would be reviewed monthly so invoices could be paid timely. We noted that several MCPS invoices had not been paid as of September 19, 2023, for a total of \$38,207 with the oldest invoice dated January 1, 2023. We recommend that each month the customer summary report be printed from the Hub and presented to the principal to document outstanding invoices payable to MCPS.

Sponsors of school activities that 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 accounts, or there is a balance. Sponsors are required to verify that transactions have been correctly recorded and that the ending balance is correct. In your action plan, you indicated that a system was implemented to print and distribute monthly reports and track if not returned by the 15th of each month. We noted that during FY 2023 the financial specialist stopped providing monthly account history reports to sponsors. The financial specialist must prepare and deliver monthly account history reports to all sponsors, and sponsors must review and resolve any discrepancies in their accounts and return the signed statements to the school financial specialist who will file them for review by the Internal Audit Unit (refer to the *MCPS Financial Manual*, chapter 20, page 10).

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 10th of the following month, using the online reconciliation program. In your action plan, you indicated that a calendar reminder will be set to ensure cardholders review and reconcile transactions each month. We found that your financial specialist had not always prepared her monthly statements, provided descriptions of items purchased, indicated the IAF account number when required, attached her purchase receipts, or reviewed her transactions in the online reconciliation program. We also found that the principal had not approved all transactions online, due to transactions not being reviewed by cardholders. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

MCPS allows schools to spend their IAF to purchase instructional materials and other eligible items, and later submit a request for reimbursement from MCPS to cover the cost from allocated funds for the current fiscal year. Account 0060.0000, MCPS Reimbursement, was established in the chart of accounts to track these reimbursements. It is the responsibility of the financial agent to submit a request for reimbursement by the 10th day of the following month. We noted that your MCPS reimbursement accounts combined had a negative balance totaling \$11,344.39 as of June 30, 2023, and you have not received reimbursements for the expenditures since August 2021. We found that the financial specialist did not submit reimbursement requests on time causing the account to carry a negative balance. Due to the fact that these expenditures were from prior fiscal years a thorough analysis was done and the financial agent was advised to make proper transfers from various accounts to cover the negative balances in the MCPS reimbursement accounts. It is further advised to review and reconcile this account on a monthly basis to avoid future delays in submitting MCPS reimbursement.

Notice of Findings and Recommendations

- Bank reconciliation must be completed by the 20th of each month
- There must be clear evidence that the monthly bank reconciliation is completed by a person independent of daily accounting transaction input.
- Uncashed checks must be remitted to the state, in accordance with the MCPS escheat process **(repeat)**.
- Invoices from outside vendors and MCPS must be paid on a timely basis **(repeat)**.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the financial agent **(repeat)**.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide* **(repeat)**.
- Financial agent to submit a request for reimbursement by the 10th day of the following month.

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. Tamitha E. Campbell, 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, Dr. Campbell 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:BK:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Dr. Collins

Mr. Hull

Dr. Kimball

Mr. Stockton

Mrs. Williams

Dr. Moran

Mr. Reilly

Mrs. Chen

Dr. Campbell

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 12-06-23	Fiscal Year: Fy24
School or Office Name: Julius West Middle School	Principal: Craig W. Staton
OSSWB Associate Superintendent: Dr. Peter O. Moran	OSSWB Director: Dr. Tamitha E. Campbell
Strategic Improvement Focus: As noted in the financial audit for the period <u>2/1/22 - 8/31/23</u> , strategic improvements are required in the following business processes :	

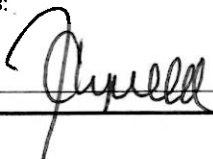
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Bank reconciliation must be completed by the 20th of each month. School must designate a person independent of daily accounting transaction input.	Financial Specialist	School Funds Online (SFO) Monthly Bank Statement. Report of Checks&Depo	Trust Online Banking and Outlook Calendar reminder	Designated to reconcile each month: Admin Secretary by the 20th of each month.	All monthly reconciliations will be completed by the 20th of each month.
Uncashed checks must be remitted to the state, in accordance with the MCPS escheatment process	Financial Specialist	Monthly Reconciliation Report and Escheatment Process.	Monthly SFO outstanding checks Report and Synergy for payee contact information to be completed in Nov. and Dec. 2023.	Meet Division of Controller Escheatment Fy24 deadline, Jan 2024	No outstanding checks for February 2024 monthly report
Invoices from outside vendors and MCPS must be paid on a timely basis	Financial Specialist	I-Payment	Monthly HUB Customer Statement Reports	Financial Specialist, monthly	Customer Statement of accounts will be reviewed and paid each month by the 20th.
Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the financial agent	Financial Specialist	School Funds Online Account Manager Reports	Administration to provide sponsor names to FA in July. FA to provide Monthly IAF Sponsor Statements in August and every month after in Fy24.	IAF Sponsors, monthly. Principal by the 20th of each month	Monthly sponsor reports will be provided to sponsors so accounts can remain accurate.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Financial agent to submit a request for reimbursement by the 10th day of the following month.	Financial Specialist	SFO reimbursement accounts MCPS Form 280-48	Monitor Reimbursements accounts: 0060.0000, 0060.0002, 0060.0003 Submit reimburse. form to FMSMaintenance@mcpsmd	Financial Specialist. Monthly	Request for reimbursements to be completed by the 10th of each month. Reimburse, accounts will have a zero balance at the end of Fy24.

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved Please revise and resubmit plan by _____

Comments:

Director:  Date: 1/4/24