

Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland


July 23, 2021

MEMORANDUM

To: Mrs. Mary (Marita) R. Sherburne, Principal  
Wood Acres Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the  
Period May 1, 2019, through May 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 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 June 14, 2021, virtual meeting with you; Miss Terri E. Reveron, school administrative secretary (secretary); Ms. Melanie Knight, assistant principal; and Ms. Monika C. Robert and Mrs. Pamela K. Dunn, visiting bookkeepers, we reviewed the prior audit report dated June 27, 2019, and the status of present conditions. It should be noted that Miss Reveron's assignment as secretary was effective August 25, 2020. 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

Documents supporting the IAF reports are part of the financial records and must be maintained in the school office and filed logically to be readily available for audit or other purposes. IAF records shall be retained for five years after the close of the year to which they apply and until all audit requirements have been met, whichever is longer, and then destroyed (refer to the *MCPS Financial Manual*, chapter 20, page 16). Our review disclosed that many financial records were misfiled by

the previous secretary and not available for review. We recommend that the IAF records be properly filed and retained to be available for audit.

Transfers of funds between general ledger accounts may be made only after MCPS Form 281-46, *Independent Activity Funds – Transfer*, has been executed by both the account sponsor and the principal. Transfers must be fully documented and adhere to MCPS guidelines for allowable uses of funds. We found that transfers of funds were executed without completion of MCPS Form 281-46. Also, we found that descriptions used on transfers did not convey the nature of the fund's movement. To improve internal controls, the secretary must be instructed to execute transfers only according to requests approved by the principal and account sponsor on MCPS Form 281-46, and the transfer description must be clear enough to convey to the sponsor where funds were transferred to and from (refer to the *MCPS Financial Manual*, chapter 20, page 12).

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, the monthly bank reconciliation report, and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date (refer to the *MCPS Financial Manual*, chapter 20, page 9). We found that the principal had not always signed and dated the bank statement prior to the visiting bookkeeper completing the reconciliation. Also, the monthly bank reconciliation and ledger reports were not consistently signed by the principal to indicate review. In your action plan, you included that a monthly required principal/bookkeeper meeting was going to be set up each month and that you were going to be setting up meeting planners according to principal availability to make sure same day signatures are being established for all monthly reconciliations. We recommend that you initiate a process that ensures adequate maintenance and retention of monthly reconciliation reports in the IAF financial records.

Timely reporting of accounting transactions as part of monitoring financial data is an important aspect of internal control. We found that Automated Clearing House (ACH) electronic fund deposits and withdrawals were entered in the School Funds Online (SFO) IAF accounting system weeks after being received and disbursed. We recommend these transactions be posted timely in SFO in order to have receipts and disbursements recorded in the correct date order based on the actual receipt and disbursement of these funds in the school's checking account.

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 account or the account has a balance. We found this essential internal control procedure was not being used. We recommend that 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. In your action plan, you included that sponsors signed reports would be printed by the bookkeeper, then would be immediately copied in a different color to keep in a binder, the sponsor reports would then be distributed to staff and as each staff member returns their signed sheet, the colored copy would be removed from the binder. A procedure must be established to ensure that all statements are reviewed and returned (refer to the *MCPS Financial Manual*, chapter 20, page 10).

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. Upon issuance of a check, the secretary will mark the documentation as “paid” to preclude duplicate payment. In your action plan, you indicated that IAF purchase request forms would have their own folder to be reviewed by the secretary first and then signed by the principal and that checks would be properly organized immediately afterwards for monthly reconciliation. In our sample of disbursements, we found prior approval was obtained for the majority of MCPS Forms 280-54 that we could locate, but a large number could not be found. Of those that could be located, supporting documentation was not stamped or marked “paid,” and documentation was 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. We recommend that MCPS Form 280-54 be prepared (with an estimate) by staff and signed by the principal, at the time verbal approval is sought. Complete documentation must be attached to fully explain the reason for the purchase. All invoices must be marked to indicate items were received and documentation stamped “paid”.

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. In your action plan, you indicated that JP Morgan Landscape reports would be printed correctly for reconciliation and that reports would be reviewed before the bookkeeper arrives for reconciliation. We found that cardholders had not promptly reviewed their transactions in the online reconciliation program and not all transactions had been approved online. We also found that cardholders were not always submitting a signed statement of landscape report each month from the JP Morgan website to the principal, and that monthly reports did not always have the corresponding receipts and invoices attached to the report. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

To properly control funds, all cash and checks collected by sponsors for IAF activities must be remitted promptly to the secretary. These funds must then be verified in the presence of the remitter and a receipt that is supported by MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, must be issued promptly (refer to the *MCPS Financial Manual*, chapter 7, page 4). A pre-numbered receipt shall be completed by the secretary and the original shall be given to the person who remitted the funds. This establishes documentary evidence for both parties that provides a written record of the source and amount of the funds for accounting purposes (refer to the *MCPS Financial Manual*, chapter 7, page 4). 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, p. 4-5). Every receipt shall be attached to the remittance slip and any other source documentation and be filed in sequential order together

with a copy of the deposit slip validated by the bank. We noted at times staff collecting funds were holding, rather than remitting, the funds to the secretary in a timely manner. Also, the previous secretary was not always making timely deposits and was holding money in excess of permitted amounts. We also noted that at times the secretary took funds to the bank prior to recording in accounting software and that she was not always providing a copy of the receipt to the sponsors. We noted that the previous secretary did not always have complete deposit packages filed in sequential order. Infrequent deposits increase the possibility of a loss of funds, diminish the school's ability to fund activities, and are contrary to the *MCPS Financial Manual*. In your action plan, you indicated that teachers would be informed to bring their collection during their lunch breaks to make sure money is counted and deposited the same day and that a daily safe check/daily deposit time would be made. To minimize the risk of loss and to provide assurance that available funds will be fully utilized to meet school needs, all funds collected must be remitted to the secretary daily and entered into the accounting software. In addition, all remittances on hand must be deposited promptly, and always before each weekend, end of the month, or holiday. Staff should monitor their remittances to the secretary to ensure they receive a receipt in a timely manner.

All field trips must be pre-approved by the principal. 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 were unable to locate any field trip request forms for trips taken during the audit period. We also found sponsors were not providing completed data at the conclusion of each trip and that data was not being reconciled to the final account history report. All sponsors must be required to use MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and all fees collected must be remitted daily to the secretary for prompt deposit. We recommend that all approval forms be retained in a file, trip sponsors be required to provide complete data at the conclusion of each trip, and data be reconciled by the secretary with remittances recorded in activity accounts.

#### Notice of Findings and Recommendations

- The IAF must be managed in accordance with sound accounting practices and effective internal controls that include safeguarding financial records until required audits are completed (**repeat**).
- Transfers between fund accounts must be fully documented and approved on MCPS Form 280-46, *Independent Activity Funds Request for Payment to MCPS Employees for Services (Work) Performed*.
- Monthly bank statements, bank reconciliations, and ledger reports must be signed and dated by the principal in a timely manner (**repeat**).
- ACH transactions must be recorded in a timely manner (**repeat**).
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the secretary (**repeat**).

- All MCPS Forms 280-54 must be available for review for all disbursements (**repeat**).
- 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 (**repeat**).
- Purchase card transactions must be documented, reviewed, and approved by the principal, and the statement of account landscape report must be printed and provided to the principal with all purchase receipts and invoices (**repeat**).
- MCPS Forms 280-34 and any other source documentation must accompany every remittance and be filed (in accordance with Chapter 7 of the *MCPS Financial Manual*).
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the secretary (**repeat**).
- Funds remitted by sponsors must be promptly receipted and deposited in the bank by the secretary (**repeat**).
- Staff members remitting funds must be issued a receipt.
- Field trip request for approval forms must contain all relevant information and records prepared by sponsors must provide comprehensive data to reconcile funds collected with account history reports (**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. Donna Redmond Jones, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Dr. Jones 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 administrative secretary to support you with developing a well-defined plan to address the findings.

MJB:YSG:lsh

Attachment

Copy to:

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

Mrs. Mary (Marita) R. Sherburne

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July 23, 2021

Mrs. Dyson  
Mrs. Chen  
Mrs. Eader  
Dr. Redmond Jones  
Mr. Klausling  
Mr. Tallur  
Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> 05/1/2019-05/31/2021	<b>Fiscal Year:</b> 05/1/2019-05/31/2021
<b>School:</b> Wood Acres ES - 417	<b>Principal:</b> Marita Sherburne
<b>OTLS Associate Superintendent:</b> Dr. Cheryl Dyson	<b>OTLS Director:</b> Dr. Donna Redmond Jones
<p><b>Strategic Improvement Focus:</b>          As noted in the financial audit for the period <u>5/1/19 - 5/31/21</u>, strategic improvements are required in the following business processes :          safeguarding financial records; adhering to all deadlines, procedures in IAF manual; collection and receipting of funds; purchasing card procedures; procurement procedures</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
All financial records will be maintained until financial audits are complete.  Transfers between fund accounts will be fully documented and approved on form 281-46	Terri Reveron	files bookkeeper		Marita Sherburne, monthly	Files properly maintained.  Records of transfers between accounts.
Monthly bank statements, bank reconciliations and ledger reports to be signed and dated by the principal in a timely manner. Principal and administrative secretary will place a monthly deadline on their calendars as a reminder that reconciliation is due.	Terri Reveron Marita Sherburne		file by month and category with signed reports  notes, as needed, from principal - admin sec - bookkeeper meetings	Marita Sherburne, monthly	Files with monthly bank statements initialed by principal, bank reconciliations signed by principal - on time monthly.
Train staff on procedures to document collection of money, making deposits, review accts; sec will give staff a receipt - sponsor must meet with admin sec prior to planning an event that requires fund collection -funds collected will be promptly remitted to admin sec, using Form 280-34;sec will promptly deposit funds in bank	Terri Reveron Marita Sherburne	files bookkeeper	meetings will be documented by creating a folder for event and appropriate paperwork; Email if money was placed in safe after sec has left	Marita Sherburne, monthly	Copies of receipts to staff members remitting funds; Bank deposit receipts Copies of form 280-34 Copies of signed monthly acct statement from sponsor
Train any field trip sponsors on proper protocols. Field trip sponsors will ensure field trip approval forms contain all relevant information and prepare records that provide comprehensive data to reconcile funds collected with account history reports.	Terri Reveron Marita Sherburne Field trip sponsors	files bookkeeper		Marita Sherburne, monthly	Copies of MCPS Form 210-4

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Train all staff in procedures for requesting a purchase (use of MCPS Form 280-54); Principal must approve requests prior to procurement; item must be document as "received" prior to disbursement; invoices must be marked as "paid" to indicate disbursement was made.	All staff making purchases; Terri Reveron Marita Sherburne	files	documents from staff training;	Marita Sherburne	files with signed and dated requests for purchase - signed by principal prior to purchase
Any staff who hold JP Morgan purchasing cards will be trained on the procedures for use of the cards, to include maintaining receipts, reviewing and submitting monthly landscape reports for the principals' signature. Principal will sign monthly.	Cardholders Terri Reveron	files	documents from training; signed landscape reports each month	Marita Sherburne Dr. Jones, DLAA	Signed and dated monthly landscape reports
Cash and checks will be entered / posted on SFO in a timely way; receipt to be printed and copied to the sponsor and the file. Receipts and disbursements will be recorded in correct date order based on the actual receipt and disbursement of these funds into the school's checking acct.	Terri Reveron		files for each monthly transaction	Marita Sherburne, Principal	Records in SFO; Records of printed receipts
Principal and administrative secretary are attending School Finance Training - Parts 1 and 2.	Marita Sherburne Terri Reveron	PDO	PDO registration confirmation	Dr. Jones, DLAA  Part 1, completed by 12/31/21; Part 2, completed by 7/22.	PDO confirmation of course completion; adherence to protocols

**OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL**

Approved       Please revise and resubmit plan by \_\_\_\_\_

Comments:

Director:  Date: 8-23-21