Internal Audit Unit MONTGOMERY COUNTY BOARD OF EDUCATION Rockville, Maryland

April 27, 2023

MEMORANDUM

To: Mr. Edward K. Owusu, Principal

Clarksburg High School

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

Subject: Report on Audit of Independent Activity Funds for the Period

December 1, 2021, through January 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 April 11, 2023, meeting with you; Mr. William (Patrick) Bazemore, school business administrator; and Mrs. Tara K. Owens, school financial specialist, we reviewed the prior audit report dated January 24, 2022, and the status of the present conditions. It should be noted that Mrs. Owens' assignment as school financial specialist was effective July 12, 2022. This audit report presents the findings and recommendations resulting from our examination of the IAF records and financial accounts for the school for the period designated above.

Findings and Recommendations

MCPS Form 280-49A, Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF), specifies that this form is required to document authorization/approval for all consultant/independent contractor services paid with IAF, regardless of the amount due for services, EXCEPT when contracting with vendors from the MCPS approved carrier (charter bus) list. If payment due for the vendor's services is \$1,500 or more, a purchase order is required, EXCEPT when contracting with Montgomery County Police Officers for high

school event security or with vendors from the approved carrier (carter bus) list. We found that MCPS Form 280-49A had not been completed/approved for all payments to independent contractors during our audit period. We recommend that the school review purchase requests to determine when MCPS Form 280-49A is required to be submitted for approval to document the authorization to pay a consultant/independent contractor with IAF (refer to MCPS Financial Manual, chapter 15, page 2).

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with MCPS Form 280-34, *Independent Activity Fund (IA) Remittance Slip*, to the school financial specialist on the day the funds are received. The funds must be taken to the bank when funds exceed the allowable Cash Handling Authority as well as the last working day of each month and before the weekend or holiday. We found instances in which staff collecting funds were holding funds rather than remitting them daily to the school financial specialist. We also found that the school financial specialist was not taking funds to the bank timely and at times held funds over the allowable amount. We recommend that all staff who collect funds for school activities be reminded of remittance requirements and that the school financial specialist takes funds to the bank on the day in which it is received when amount exceeds the Cash Handling authority limit. (refer to the *MCPS Financial Manual*, chapter 7, page 4).

Schools are required to use School Funds Online two-part pre-numbered receipt forms. Receipts shall be issued in a strict numerical sequence on pre-numbered receipt stock. Funds remitted to the school financial specialist by the sponsors should be jointly counted and the school financial specialist shall complete a pre-numbered receipt, retain the office copy for the financial file and give the remitter the original completed receipt. This important control establishes documentary evidence for both parties that provides a written record of the source of funds and the amount of funds for accounting purposes. We found that the school financial specialist is not providing sponsors/remitters with the printed original one-part receipt. We recommend that the school financial specialist provide each remitter the one-part receipt daily as funds are recorded in the accounting system to establish documentary evidence of the fund remitted (refer to the *MCPS Financial Manual*, chapter 7, page 4).

All school sponsor field trips, including athletics, must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Student Organization Trips*. Trip approval forms must be signed by the principal, and retained on file. All funds collected and disbursed related to the field trip must be recorded in the schools Independent Activity Funds in accordance to MCPS financial policies and procedures. The sponsor must have a complete class or club roster of student names to annotate the amount each student paid, by cash, check or online, 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 school financial specialist 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 an athletic coach did not follow the field trip guidelines for athletic tournaments. We recommend that all athletic out of area tournaments adhere to MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Student Organization Trips*. We also

recommend that all athletic tournaments to be run through the IAF chart of accounts field trip 5000 series.

Notice of Findings and Recommendations

- Disbursements to contractors that perform a service must have a MCPS Form 280-49A Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF) approved prior to service being provided.
- Cash and checks (funds) collected by sponsors must be promptly remitted to the school financial specialist, and promptly receipted and deposited in the bank in accordance with Chapter 7 of the MCPS Financial Manual.
- Financial specialist shall complete a two-part pre-numbered receipt and give the remitter the original receipt for their records and retain office copy for files.
- All school sponsor field trips, including athletics, must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs*, *Field Trips and Student Organization Trips*.

Other matters were discussed and satisfactorily resolved. We appreciate the cooperation and assistance of the 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 the 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. Christophe Turk, director of school support and well-being, Office of Student Support and Well-Being, for written approval of the plan. Based on the audit recommendations, Mr. Turk will indicate whether to conduct an electronic review of the action plan or schedule a time to meet in person with you, the school business administrator and school financial specialist to support the school with developing a well-defined plan to address the findings.

MJB:LMB:rg

Attachment

Copy to:

Members of the Board of Education Mr. Reilly
Dr. McKnight Mrs. Chen
Mr. Hull Ms. Eader
Dr. Murphy Mr. Klausing
Ms. Reuben Mrs. Ripoli
Mr. Stockton Mr. Turk
Mrs. Williams Ms. Webb

Ms. Morris



CLARKSBURG HIGH SCHOOL

22500 Wims Road • Clarksburg, Maryland 20871 Telephone 240-740-6000 • Fax 301-601-4667

To:

Ms. Mary J. Bergstresser, Supervisor, Internal Audit

From:

Mr. Edward Owusu, Principal, Clarksburg High School

Subject:

Response to Report on Audit of Independent Activity Funds for the Period

December 1, 2021, through January 31, 2023

As a result of findings from the Report on Audit of Independent Activity Funds for the Period December 1, 2021, through January 31, 2023, Independent Activity Fund (IAFs) reporting procedures have been revised and reviewed with staff.

As discussed during our meeting last month, significant and consistent improvements will be implemented and processes updated to ensure compliance with Montgomery County Public Schools (MCPS) financial policies. My thanks to you and your staff for taking the time to meet with our team to explain policies and procedures and the reasoning behind them. The report's findings and recommendations are addressed in the attached Fiscal Management Action Plan.

Thank you for your support and assistance in my efforts to keep Clarksburg High School on firm fiduciary reporting ground. I hope to continue to be able to call upon you and the services of your office to further improve the handling of Clarksburg's IAF reporting.

Please let me know if you have any additional questions or need clarification.

Copy to:

Dr. McKnight
Mr. Reilly
Mrs. Chen
Mr. Hull
Mrs. Chen
Ms. Eader
Ms. Reuben
Mr. Stockton
Ms. Williams
Ms. Williams
Ms. Morris
Mr. Webb

FINANCIAL MANAGEMENT ACTION PLAN	WACHON BLAN
Report Date: April 27, 202	Fiscal Year: April 27, 202
School: Clarksburg HS - 249	Principal: Mr. Edward Owusu
OSSWB Associate Superintendent: Ms. Diane Mortis	OSSWB Director: Mr. Christophe Turk
Strategic Improvement Focus: As noted in the financial audit for the period 12/2021 - 1/2023 strategic improvements are required in the following business processes:	nts are required in the following business processes :
school field trips (athletics) process, funds remitted to the Business Office, Form 280-49A for Office	the Business Office, Form 280-49A for contractual work performed, and receipts for funds remitted to the Business

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Action Steps			OFFICE OF SCHOOL SUPPORT AND WELL-BEING Approved Please revise and re	Director: