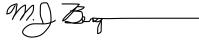


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

April 27, 2021

MEMORANDUM

To: Mr. Mark Brown, Principal  
Albert Einstein High School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
September 1, 2019, through December 31, 2020

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 (Board) 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 15, 2021, virtual meeting with you; Ms. Shanay A. Snead, Mrs. Betty Pierre Saint-Walla, and Mrs. Anne S. Adam, assistant principals, Mr. Michael G. Plank, school business administrator; and Juan F. Ramos, school financial specialist, we reviewed the prior audit report dated December 10, 2019, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 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

Any goods or services procured from an MCPS employee, or from a business entity with an employee who has ownership in the business, requires the principal to obtain prior written authorization from the Board's ethics officer (refer to the *MCPS Financial Manual*,

chapter 20, p. 6). We recommend acquiring the ethics officer approval for the employee's business prior to any future purchases. If the ethics officer approves the business entity, MCPS form 280-49A: *Authorization for Consultant/Independent Contractor Funded with Independent Activity Funds (IAF)* would be used to establish the business as an independent contractor within MCPS. As an Independent contractor, payroll taxes would not need to be paid to lower the cost for goods purchased.

Independent contractors or consultants working in schools must comply with all laws and MCPS requirements outlined in the *Procurement Manual*. MCPS form 280-49A is used to document authorization/approval for all consultant/independent contractor services paid with IAF. We found that this form had not been completed for all payments to police officers providing security at athletic events. We recommend the project manager initiate MCPS Form 280-49A to document the authorization and approval to pay a consultant/independent contractor with IAF (refer to the *MCPS Financial Manual*, chapter 15, page 2).

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, or principal's designee, must review each cardholder's transactions and approve them by the 10th calendar day following the cardholder's review, using the online reconciliation program. We found online transactions that had not been reviewed or approved based on these requirements. There was a large number of transactions that the former principal had not approved online. After receiving assistance from the Internal Audit Unit, these transactions were approved by the current principal. Online purchasing card review and approval must be done based on MCPS requirements.

#### Notice of Findings and Recommendations

- Business with MCPS employee's business must be approved by the Board's ethics officer.
- Independent contractor payments must comply with MCPS Regulation DIA-RB (**repeat**).
- Purchase card transactions must be documented, reviewed, and approved by the principal (**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. 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 team to support you with developing a well-defined plan to address the findings.

MJB:BK:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Ms. Stratman

Dr. Wilson

Mrs. Williams

Mrs. Dyson

Mrs. Chen

Mr. Klausling

Mr. Marella

Dr. Moran

Mr. Tallur

Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

**Report Date:** 4/27/2021

**Fiscal Year:** 4/27/2021

**School:** Albert Einstein HS - 789

**Principal:** Mr. Mark Brown

**OTLS**

**Associate Superintendent:** Mrs. Cheryl L. Dyson

**OTLS**

**Director:** Dr. Peter Moran

**Strategic Improvement Focus:**

As noted in the financial audit for the period 12/31/2020, strategic improvements are required in the following business processes :

MCPS employee's business must be approved by the Board's ethics. Independent contractor payments must comply with MCPS Regulation DIA-RB. Purchase card approvals.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Business with MCPS employee's business must be approved by the Board's ethics officer.	Sponsors	BOE ethics officer	Sponsors must identify vendors prior to initiating any transaction with the school business administrator.	School Business Administrator	Request written approval from the BOE ethics officer.
Independent contractor payments must comply with MCPS Regulation DIA-RB.	Sponsors	Form 280-49A	Project manager (sponsors) will be required to initiate completion of form 280-49A	School financial specialist will ensure form is complete and attached to activity's proposal.	Completion of Form 280-49A
Purchase card transactions must be documented, reviewed, and approved by the principal.	Principal	JP Morgan card management system	School financial specialist will provide purchasing card monthly statements to principal during weekly financial meetings to review and approve in the system.	Principal and School financial specialist, weekly meetings	JP Morgan card statement.

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**

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

Comments:

Director:           Peter O. Moran           ovz      Date: 06/08/21