


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

June 15, 2023

MEMORANDUM

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

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

Subject: Report on Audit of Independent Activity Funds for the Period  
May 1, 2022, through April 30, 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 June 6, 2023, meeting with you; Mrs. Joan A. Strasnick, school business administrator; and Mr. Victor M. Valerio, school financial specialist, we reviewed the prior audit report dated June 23, 2022, and the status of the present conditions. It should be noted that Mr. Valerio's assignment as school financial specialist was effective January 9, 2023. 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 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase. 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 (refer to the *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements, we found prior approval was not

consistently obtained and documentation was not annotated by the recipient to indicate purchased goods or services were satisfactorily received. By requiring prior approval, the principal retains control over the expenditure of IAFs. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditures and signed by the principal at the time verbal approval is sought. Certain sponsors may benefit from having an annual budget, detailing expected income and expenses and obtaining principal approval at the beginning of the school year. These budgets must be monitored by the school's financial agent and revised if necessary. We also recommend that purchasers sign invoices for goods or services to indicate satisfactory receipt of the quantity and quality of items.

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 day following the cardholder review, using the online reconciliation program. We found that some cardholders had not promptly reviewed their transactions, provided description of items purchased, indicated IAF account number when required, attached their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the principal had not approved all transactions online. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with MCPS Form 280-34, *Independent Activity Fund (IAF) 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 Holding Authority, as well as on the last working day of each month and before a weekend or holiday. We found instances in which staff collected and held funds rather than remitting them daily to the school financial specialist. We recommend that all staff who collect funds for school activities be reminded of remittance requirements. In addition, all remittances on hand must be deposited promptly, and always before each weekend, end of the month, or holiday (refer to the *MCPS Financial Manual*, chapter 7, page 4).

### **Notice of Findings and Recommendations**

- All disbursements must be pre-approved by the principal.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*.
- 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*.

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 Dr. Peter O. Moran, associate superintendent of school support and well-being, Office of Student Support and Well-Being, for written approval of the plan. Based on the audit recommendations, Dr. Moran will indicate whether he will 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:BK:rg

Attachment

Copy to:

Members of the Board of Education  
Dr. McKnight  
Mr. Hull  
Dr. Murphy  
Ms. Morris  
Mr. Stockton  
Mrs. Williams

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

**FINANCIAL MANAGEMENT ACTION PLAN**

<b>Report Date:</b> 2023	<b>Fiscal Year:</b> 2023
<b>School:</b> Albert Einstein HS - 789	<b>Principal:</b> Mark Brown, Jr.
<b>OSSWB Associate Superintendent:</b> Peter Moran	<b>OSSWB Director:</b>
<p><b>Strategic Improvement Focus:</b>          As noted in the financial audit for the period <u>5/1/22-4/30/23</u>, strategic improvements are required in the following business processes :</p>	

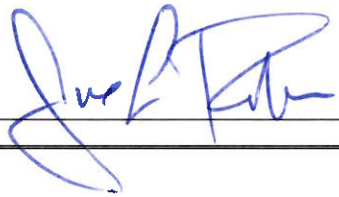
<b>Action Steps</b>	<b>Person(s) Responsible</b>	<b>Resources Needed</b>	<b>Monitoring Tools / Data Points</b>	<b>Monitoring: Who &amp; When</b>	<b>Results/Evidence</b>
Ensure all disbursements are approved by the principal prior to purchase.	Requester or sponsor & school financial specialist	Form 280-54	Sponsor will obtain prior approval to all purchases.	consistently by sponsor & school financial specialist	All IAF purchases will have prior written approval
Invoices for good or services are signed by the purchaser to indicate satisfactory receipt.	Requester or sponsor & school financial specialist	Invoice(s) or receipt(s) to accompany form 280-54	Sponsor or requester will sign invoice submitted with 280-54 to document receipt of the goods and/or services.	consistently by sponsor & principal, school financial specialist	All goods or services invoices will be signed in order to confirm receipt.
Purchase card activity will be in accordance with the requirements established by MCPS Purchasing Card User Guide.	purchase card holders, school financial specialist	statement of account landscape report, purchase receipts	P-card holders and account reviewers will use online reconciliation program by the 5th of each month and will include IAF account numbers	purchase card holders, approvers, school financial specialist	All purchase card activity will conform with MCPS purchasing card requirements
Ensure cash & checks (funds) collected by sponsors will be promptly remitted to the school financial specialist and promptly receipted and deposited in the bank.	sponsors, other authorized individuals, school financial specialist	MCPS Form 280-34	form 280-54; during money collection periods for activity or event; ongoing	sponsors and school financial specialist; daily	Cash & checks (funds) collected by sponsors will be promptly remitted to the school financial specialist and promptly receipted and deposited in the bank.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

**OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)**

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

Comments: \_\_\_\_\_

Director:  Date: 8/11/2023