


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 6, 2024

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, 2023, through August 31, 2024

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 29, 2024, meeting with you; Mr. Justin A. Krop, principal intern; Mrs. Tasha E. Kelly, school business administrator; Mr. Victor M. Valerio, Jr., school financial specialist; and Mrs. Sara E. Rivera, school administrative secretary, we reviewed the prior audit report dated June 15, 2023, and the status of the present conditions. It should be noted that Mrs. Kelly's assignment was effective January 3, 2024. 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

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 your action plan, you stated that the requester, sponsor or school financial specialist would ensure all disbursements are approved by the principal prior to purchase, and that invoices for goods and services are signed by the purchaser to indicate satisfactory receipt. 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. We also noted that the Fiscal Year (FY) 24 Athletic budget was not signed by the principal indicating expenses were preapproved before purchases were made. 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.

Aggregate school expenditures of general funds for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per individual staff member, per fiscal year, without the prior written authorization of the Deputy Chief of Finance (OOF) (refer to the *MCPS Financial Manual*, chapter 20, page 5). These expenditures must be appropriately recorded in accordance with the IAF chart of accounts. We found that you exceeded the total amount allowed in Fiscal Year (FY) 2023 and FY 2024, without approval of the OOF. We recommend that you adhere to the MCPS requirements, and seek approval prior to exceeding the allowable amount.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card Users Guide*. By the 5th 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 or designee, with all purchase receipts and invoices attached. The principal or designee 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 stated that purchase cardholders will use their purchasing cards in accordance with the *MCPS Purchasing Card User's Guide*. We found that the principal and prior school business administrator 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 by sponsors and others for IAF activities must be remitted promptly to the financial specialist. 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, pages 4-5). In your action plan, you stated that funds collected by sponsors would be remitted promptly to the financial specialist. It was noted that the drama sponsor and other sponsors were holding funds at times and not turning them in on the day received. To minimize the risk of loss, all funds collected must be remitted daily. We recommend staff be reminded to submit cash and checks collected for IAF activities to the financial specialist for prompt deposit in accordance with MCPS policy and procedures.

Notice of Findings and Recommendations

- All disbursements and budgets must be pre-approved by the principal, and all budgets must be signed and dated to show approval at the beginning of every fiscal year (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement. (**repeat**).
- Total combined expenditures for staff appreciation and meeting refreshments may not exceed \$60 per individual staff member per fiscal year without prior approval of the OOF.
- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide* (**repeat**).
- 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 (**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. Joe Rubens Jr, director of school support and improvement, Office of School Support and Improvement, for written approval of your plan. Based on the audit recommendations, Dr. Rubens 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 business administrator to support you with developing a well-defined plan to address the findings.

MJB:ABB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. Taylor

Mr. Mark Brown, Jr.

4

December 6, 2024

Ms. Alfonso-Windsor
Ms. McGuire
Dr. Moran
Mrs. Williams
Mr. McGee
Mr. Reilly

Mrs. Chen
Mr. Klausning
Mrs. Ripoli
Dr. Rubens
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:	Fiscal Year:
School:	Principal:
OSSWB Associate Superintendent:	OSSWB Director:
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period _____, strategic improvements are required in the following business processes :</p>	

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

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

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)	
<input type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director: _____	Date: _____