


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

September 9, 2024

MEMORANDUM

To: Ms. Vickie P. Adamson, Principal
John F. Kennedy High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
February 1, 2023, through May 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 August 27, 2024, meeting with you; Mrs. Audrey B. Patton, school business administrator; and Mr. Angel D. Aguilar, school financial specialist, we reviewed the prior audit report dated May 22, 2023, and the status of the present conditions. It should be noted that your appointment as principal was effective July 1, 2023, Mrs. Patton's assignment as school business administrator was effective August 21, 2023, and Mr. Aguilar's assignment as school financial specialist was effective March 1, 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

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 always 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. 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. Additionally, all disbursements must have adequate documented support, such as a vendor itemized invoice or original receipt. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. The financial agent will then mark the documentation as “paid” prior to disbursing the funds. In our sample of disbursements, prior approval was not consistently obtained. We also noted instances in which controls over purchases were weakened including documentation supporting purchases were not always adequate, were not always stamped or marked “paid”, and invoices and online purchase confirmations were not always signed by the receiver to indicate goods or services were received, and that payment could be processed. We also found that MCPS Form 280-54 are not always being completed in their entirety by the sponsor and financial agent. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditure and signed by the principal at the time verbal approval is sought. MCPS Form 280-54 must be completed in full by sponsor, financial agent, and principal to include account name/number to be charged, the request date, the balance available in the account, and the signatures of the sponsor, financial agent, and principal. After MCPS Form 280-54 is approved and payment is processed the financial agent must complete part B to include the following information: check date, check number and check amount. We also recommend that all support documents be adequate to support expenditure and marked paid, and when goods are received at the school that the purchase be verified as complete by the recipient and that the invoice/packing slip be marked “received” and signed/dated by the recipient. Requiring invoices to be marked “received” ensures that goods or services have been satisfactorily received prior to payment.

Independent contractors or consultants working in schools must comply with all laws and MCPS requirements set forth in the *Procurement Manual*. MCPS Form 280-49A: *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF)* 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 independent contractors during our audit period. We recommend that 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).

To properly control receipts, cash and checks collected by sponsors for IAF activities must be remitted promptly and intact to the financial agent along with MCPS Form 280-34, *MCPS Remittance Slip*. Cash must be counted in the presence of the remitter, and a receipt that is supported by the remittance slip must be issued promptly. 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 our sample of receipts, we found instances in which funds were held by sponsors rather than being remitted daily to the financial agent. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected must be remitted daily to the financial agent and deposited timely.

Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise. Taxable merchandise includes yearbooks, school store, fundraiser items, confectionaries, athletic uniforms, and other items that become the personal property of the individual making the purchase (refer to the *MCPS Financial Manual*, chapter 18, page 2). We noted that sales tax was not calculated correctly to account for all sales activities in Fiscal Year (FY) 2023. We recommend that you track all taxable sales on a spreadsheet to assist in calculating the correct amount of sales tax that needs to be remitted to the State of Maryland Controller's office. We also recommend all sales tax not paid in FY 2023 be included with your FY 2024 payment.

Notice of Findings and Recommendations

- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the financial agent.
- All IAF disbursements must be documented, reviewed, and pre-approved by the principal.
- Purchase documentation must be adequate to support disbursements, stamped paid, and invoices marked as received.
- MCPS Form 280-49A must be prepared and submitted to procurement for approval prior to the start of any work of independent contractors.
- Cash and checks (funds) collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the school financial specialist.
- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.

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 Mr. Greg C. Mullenholz, director of school support and improvement, Office of School Support and Improvement, for written approval of your plan. Based on the audit recommendations, Mr. Mullenholz will indicate whether he will conduct an electronic review of your action plan or schedule a time to meet in person with you, your school business administrator, and financial agent to support you with developing a well-defined plan to address the findings.

MJB:YSG:rg

Attachment

Copy to:

Members of the Board of Education

Dr. Taylor

Ms. Alfonso-Windsor

Ms. Dempsey

Ms. McGuire

Dr. Moran

Mrs. Williams

Mr. McGee

Mr. Reilly

Mrs. Chen



Mr. Klausling

Mr. Mullenholz

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: October 16, 2024	Fiscal Year: 2024-2025
School or Office Name: John F Kennedy High School - 815	Principal: Vickie Adamson 
OSSI Associate Superintendent: Sean McGee	OSSI Director: Greg Mullenholz 

Strategic Improvement Focus:

As noted in the financial audit for the period 2/1/23 - 5/31/24, strategic improvements are required in the following business processes :

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Monthly Account History Reports sent via email every month with a deadline to when they should return reports or respond to the email. Also sending Athletic Report Packet for Athletic Director to review and sign.	Angel Aguilar, SFS	Set reminders on my calender	Sending emails to all the sponsors with their account history attached Creating Athletic packed with the 3 reports	Account history reports will be generated by SFS at the beginning of the month	Reports will be signed and returned in a timely manner.
All IAF disbursement must be pre-approved by the Principal before the purchase of the items. Checking to see if all parties have signed off on the 280-54. Making sure sponsor/requester understand the procedures and give time in advance to process	Principal and Financial Office	Form 280-54	280-54 will be emphasized at the school financial training for staff.	SFS will make sure all paperwork is signed and supporting documents will be attached	IAF disbursement will be in compliance with the MCPS Financial Manual, Chapter 20
Making sure all supporting documents are stamping paid after payment. When merchandise is received invoice should be marked. Keeping track of proper documentation of the 280-54	Angel Aguilar, SFS	Form 280-54	280-54 will be emphasized at the school financial training for staff.	SFS will make sure 280-54 has supporting disbursement, stamped paid, and invoices received	IAF disbursement will be in compliance with the MCPS Financial Manual, Chapter 20
Independent contractor are required to go through the screening process by filling out the 280-49A and getting approval by the Procurement Unit. Making sure the paperwork gets approval 2 weeks before start of the service	Project Manager and Angel Aguilar, SFS	Vendor quotes must be submitted by the project manager along with 280-49A	280-49A and timeline will be added to school financial training for staff.	SFS will communicate with sponsor if approval was given by Procurement.	Request for payment to vendors will not be allowed with out approved 280-49A

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Cash and Check collected should be deposit in a timely manner. Have sponsor understand the process of collecting funds. Train in Pre-serve to expose all the staff to the 280-34.	Angel Aguilar, SFS	280-34, bank statements	SFS will review paperwork when sponsor turn in deposits to the financial office.	SFS monthly reconciliation	Cash receipts will be in compliance with the MCPS Financial Manual, Chapter 7
Keep a spreadsheet for all the Sales Taxes fundraisers. for each school year. When closing a fundraiser making sure to calculate sales taxes if it applies.	Angel Aguilar, SFS	Log of taxable sales for the fiscal year	Sales tax liability will be transferred from fundraiser/activity account when reconciling to ensure all taxes are remitted	SFS will monitor of sales tax transfers at the end of fundraiser or activity	Sales Tax account will be reviewed before the end of the fiscal year. Paying taxes in July with the annual return.

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: _____