


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 3, 2022

MEMORANDUM

To: Dr. Leroy C. Evans, Jr., Principal
Col. Zadok Magruder High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2020, through March 31, 2022

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 fund-raisers. 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 May 31, 2022, meeting with you; Ms. Nicole M. Kimball, school business administrator; and Mrs. Beverly L. White, school financial specialist, we reviewed the prior audit report dated September 21, 2020, and the status of present conditions. 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 (refer to the *MCPS Financial Manual*, chapter 20, page 4). Regardless of the documentation that approved the procurement of goods and services, all disbursements from a school's IAF, other than for petty cash items, must be approved by the principal using MCPS Form 280-54, prior to disbursement of funds. MCPS

i-Payment disbursements made by Automated Clearing House (ACH) with multiple IAF accounts to be charged are to include a summary spreadsheet detailing the IAF account(s) to be charged with the principal's approved MCPS Form 280-54 for the total disbursement. In our sample of disbursements, we found instances in which controls over purchases were weakened, including incidents where purchases were not pre-approved prior to the commitment of funds, and a lack of principal approval for the disbursement of funds when paying MCPS i-Payments. We recommend that MCPS Form 280-54 be prepared and signed by the principal as pre-approval of IAF expenditures and also prior to disbursement of funds when paying MCPS i-Payables. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining your approval at the beginning of the school year. These budgets must be monitored by your school financial specialist and revised as necessary.

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 or designee, with all purchase receipts and invoices attached. The principal or designated staff must review each cardholder's transactions and approve them by the 10th of the following month, using the online reconciliation program. We found that some cardholders had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation program. Also, we found that the designated staff 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.

In accordance with MCPS Regulation EGD-RA, *Telephone Services and Costs*, MCPS provides cellular service to employees whose job responsibilities regarding the health and safety of students and staff require immediate communications and decision making, increase productivity, and/or increase service to the public. We noted that your athletic specialist had a cellular phone plan that was being paid out of the school's IAF each month. We recommend that detailed invoices be obtained for review to determine whether cellular service usage was MCPS job related. Whereas the principal is charged with determining the manner in which IAF are expended (refer to the *MCPS Financial Manual*, chapter 20, page 4); we further recommend reviewing the provision of cellular service for employees beyond that provided by MCPS to assure compatibility with MCPS Regulation EGD-RA. If it is determined to continue the cellular service, the equipment and service plan selected should meet the goals of the school's educational and business purposes with the least expenditure of IAFs.

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) 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 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).

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal using MCPS 280-54 prior to procurement.
- Purchase card transactions must be documented, reviewed, and approved by cardholders and the principal.
- Cellular service should be provided in accordance with MCPS Regulation EGD-RA.
- MCPS form 280-49A must be prepared prior to contracting with independent contractors or consultants.

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. Sarah E. Sirgo, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Dr. Sirgo will indicate whether she will conduct an electronic review of your action plan or schedule a time to meet in person with you and your 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. McKnight
Mr. D'Andrea
Dr. Dawson
Ms. Reuben
Mrs. Williams
Dr. Dyson
Mr. Reilly
Mrs. Chen
Mrs. Eader
Mr. Klausung
Mrs. Ripoli
Dr. Sirgo
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:	Fiscal Year:
School:	Principal:
OTLS Associate Superintendent:	OTLS 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 TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL	
<input type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director: <u> <i>Sarah Sirgo</i> </u>	Date: _____