


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 25, 2024

MEMORANDUM

To: Mr. Christopher J. Ascienzo, 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
April 1, 2023, through March 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 May 30, 2024, meeting with you; Ms. Nicole M. Kimball, school business administrator; and Ms. Helen Hallas, school financial specialist, we reviewed the prior audit report dated May 23, 2023, and the status of the present conditions. It should be noted that your appointment as principal was effective July 5, 2023. 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

The procurement of goods and services must adhere to Board of Education policy, MCPS regulations and guidelines, and the Procurement Unit's Procurement Manual. In addition, the procurement of goods and services must be approved in writing by the principal prior to staff proceeding with any intended purchase. This prior approval may be granted by the principal's signature on MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, or a budget

prepared by the sponsor of a school activity. The budget must be approved by the principal and indicate projected revenue by source and projected expenditure by type of item for a period of time not to exceed a fiscal year. The sponsor cannot exceed the total amount of each expenditure outlined in the approved budget without receiving prior written approval of the principal to amend the budget. The financial agent is responsible for monitoring all budgets to ensure revenues and expenditures conform to what the principal has approved. In the school's action plan, it was indicated that budgets would be prepared and all spending would remain within set limits and if needed, sponsor would request to amend budget or obtain spending pre-approval. We noted that the drama, prom, and homecoming budgets had line items overspent and disbursements that were not included on the original budget. We also noted that the Athletic budget prepared by your prior athletic specialist was not signed at the beginning of the school year and had some line items overspent and no pre-approval had been given for these additional expenditures. We recommend that all approved budgets be monitored and revised when needed (refer to the *MCPS Financial Manual*, chapter 20, page 5).

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. All disbursements from a school's IAF checking account will be made by check or Automated Clearing House (ACH) drawn on the school's IAF bank account. Regardless of the documentation that approved the procurement of goods and services, all disbursements from a school's IAF will be approved by the principal using MCPS Form 280-54, prior to expenditure of funds. Disbursements made by ACH with multiple IAF accounts to be charged, such as MCPS iPayment are to include a summary spreadsheet detailing the IAF account(s) to be charged with the principal approved MCPS Form 280-54. In the school's action plan, it was indicated that all iPayments would have an approved MCPS Form 280-54 attached. In review of purchases, we found that MCPS Form 280-54 is not always approved prior to purchase of goods and that the financial agent is not preparing a MCPS Form 280-54 when paying MCPS iPayments. 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, and that a MCPS Form 280-54 be prepared prior to paying iPayments.

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 Associate Superintendent of Finance, Office 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, without approval of the OOF. We recommend that you adhere to the MCPS requirements, and request approval in advance to overspend if justified.

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 must review each cardholder's transactions and approve them by the 10th of the following month, using the online reconciliation program. We found that one cardholder had not promptly reviewed her transactions in the online reconciliation program and not all transactions had been approved online. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities must be remitted promptly to the financial specialist. Cash must be counted in the presence of the remitter, and a receipt that is supported by the remittance slip must be issued promptly. We found instances in which funds were held by sponsors rather than remitted to the financial agent on the day received. We also found that the financial agent collected fees/payments directly from students instead of the sponsor collecting the fees. In addition, we noted that MCPS Form 280-34, *Remittance Slip*, was not always completed when funds were collected and when remittance slip was turned in to the financial office it was not always filled completely by the sponsor and at times was missing the date, description, signature, and total amount collected. We recommend that no one person control all aspects of the cash receipt process from start to finish. To improve controls, we recommend adoption of the procedures outlined in the *MCPS Financial Manual*, chapter 7, page 4. We also recommend that all sponsors complete the remittance slip in full and to minimize the risk of loss, all funds collected must be remitted daily and deposited to the bank promptly.

MCPS allows schools to spend their own funds to purchase instructional materials and other eligible items, and later submit a request for reimbursement from MCPS to cover the cost from allocated funds for the current fiscal year. Account 0060.0000, *MCPS Reimbursement*, was established in the chart of accounts to track these reimbursements. It is the responsibility of the financial agent to submit a request for reimbursement by the 10th day of the following month. We noted that your MCPS reimbursement account has a negative balance and you did not receive reimbursements for some of the expenditures from FY 2023 and from one recorded early during FY 2024. We found that the financial specialist did not submit reimbursement requests for these expenditures causing the account to carry a negative balance. A thorough analysis was done and the financial agent was advised to make a proper transfer from an IAF account to cover the negative balance in the MCPS reimbursement account. It is further advised to review and reconcile this account on a monthly basis to avoid future delays in submitting for reimbursement.

Notice of Findings and Recommendations

- All disbursements must be pre-approved by the principal and MCPS iPayments must be approved by the principal using MCPS Form 280-4 prior to disbursement (**repeat**).
- All school budgets must be monitored to compare income and expense projections to actual results (**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.

- Cardholders must review their purchasing card transactions by the 5th business day of the following month in order for the approver to approve them timely (**repeat**).
- Cash and checks (funds) collected by sponsors must be promptly remitted to financial specialist with a fully completed MCPS Form 280-34.
- There must be dual control in the cash receipts process and the financial specialist can only collect obligations from students.
- MCPS reimbursement request must be submitted timely and account reconciled each month.

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 Ms. Natasha Bolden, executive director of school support and well-being, Office of School Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Ms. Bolden 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 school business administrator and school financial specialist 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. Felder
Ms. Alfonso Windsor
Ms. Dempsey
Dr. Johnson
Dr. Moran
Mrs. Williams
Dr. Redmond Jones
Mr. Reilly
Ms. Bolden
Mrs. Chen
Mr. Klausling
Mr. Mullenholz
Mrs. Ripoli
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:	Fiscal Year:
School or Office Name:	Principal:
OSSI 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: <u>Gregory Mullenholz</u>	Date: _____