


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

May 16, 2023

MEMORANDUM

To: Dr. Afie A. Mirshah-Nayar, Principal  
Paint Branch High School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
January 1, 2022, through February 28, 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 May 2, 2023, meeting with you; Mrs. Audrey P. Patton, school business administrator; and Mr. Ricardo Hernandez, assistant principal, we reviewed the prior audit report dated March 3, 2022, and the status of the 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**

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 in the approved budget without receiving prior written approval of the principal or 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 our sample, some disbursements did not have a corresponding MCPS Form 280-54 pre-approved by the principal for expenditures made prior to a budget being approved. We found many expenditures exceeded the original line item on approved budgets. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that MCPS Form 280-54 be prepared for every disbursement and signed by the principal for all items exceeding approved budget line items. We also recommend that approved budgets are monitored regularly by the school financial specialist and the sponsor to ensure line items are not exceeded.

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).

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the school financial specialist with a completed MCPS Form 280-34 *Remittance Slip*. MCPS Form 280-34 must be completed in its entirety and must be signed by the remitter and receiver verifying funds. These receipts must be deposited promptly, and all receipts over the allowable *Cash Holding Authority (CHA)* must be deposited daily. All funds remitted 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, pp. 4-5). We found that at times, staff were holding funds and not remitting to the school financial specialist when received. We also noted that funds had been held by the school financial specialist over the allowable CHA. In addition, we noted that MCPS Form 280-34, was not always filled completely by the sponsor and at times was missing the date, description, signatures, and total amount collected. We 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.

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 yearbook, school store, fundraiser items, physical education clothing, student uniforms resale 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 sales for which sales tax had not been collected and remitted to the State of Maryland. We also noted that the school has not initiated steps to claim a refund due to the school for overpayment of sales tax from Fiscal Year 2018 as instructed by the Internal Audit Unit. We recommend that the school work toward full compliance by working with sponsors to determine

activities for which sales tax must be collected and that action is taken to resolve overpayment of sales tax from prior years.

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

- Budgets must be monitored to compare income and expense projections to actual line item expenditures.
- Disbursements to contractors that perform a service must have a MCPS Form 280-49A approved prior to service being provided.
- Cash and checks (funds) collected by sponsors must be promptly remitted with a completed MCPS Form 280-34 to the school financial specialist.
- Cash and checks (funds) remitted by sponsors must be promptly receipted and deposited in the bank by the school financial specialist in accordance with Chapter 7 of the *MCPS Financial Manual*.
- Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise.

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. Donna Redmond Jones, associate superintendent for school support and well-being, Office of Student Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Dr. Redmond Jones 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:LMB:rg

Attachment

Copy to:

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

Dr. Redmond Jones  
Mr. Reilly  
Mrs. Chen  
Ms. Eader  
Mr. Klausling  
Mrs. Ripoli  
Ms. Webb

**FINANCIAL MANAGEMENT ACTION PLAN**

<b>Report Date:</b>	<b>Fiscal Year:</b>
<b>School:</b>	<b>Principal:</b>
<b>OSSWB Associate Superintendent:</b>	<b>OSSWB Director:</b>
<p><b><u>Strategic Improvement Focus:</u></b>          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"/> <b>Approved</b>	<input type="checkbox"/> <b>Please revise and resubmit plan by</b> _____
Comments: _____ _____	
Director: _____ <i>Donna Richmond Jones</i> _____	Date: _____