


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 25, 2024

MEMORANDUM

To: Mrs. Pamela W. Krawczel, Acting Principal
Paint Branch High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2023, through April 30, 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 June 5, 2024, meeting with you; Mrs. Audrea Huicy, school business administrator; and Mrs. Christina M. Keating, school financial specialist, we reviewed the prior audit report dated May 16, 2023, and the status of the present conditions. It should be noted that your appointment as acting principal was effective August 16, 2023 and Mrs. Huicy's assignment as school business administrator was effective September 7, 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

As fiduciary agent, the principal is responsible for ensuring compliance with the guiding principles for administering the IAF. In reviewing the monthly financial reports, the principal should be aware of any negative balances in the IAF accounts, investigate to determine the cause to preclude

recurrence, and take timely corrective action to eliminate such negative balances to avoid potential financial insolvency of your IAF (refer to the *MCPS Financial Manual*, chapter 20, pages 1 and 12). Financial insolvency occurs if the combined total of restricted memorial fund, club, class, and other school sponsored activity account balances exceeds the combined total of checking and Centralized Investment Fund savings account balances. As of April 30, 2024, your end-of-year IAF balances reflected an insolvent financial condition. We recommend that you meet with your school business administrator on a regular basis to review and discuss implementation strategies to improve the school's IAF financial condition.

Payment to MCPS for items purchased on the JP Morgan credit card and through the business Hub must be made timely. As of April 30, 2024, there were nine unpaid invoices totaling \$40,700.89 that were more than 30 days past due. As a function of fiscal responsibility, it is important to process payments to vendors on a timely basis, which includes MCPS. This improves overall decision making related to the analysis of IAF accounts with up-to-date expenditure information.

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 found that the financial specialist did not submit reimbursement requests on time causing the account to carry a negative balance. We recommend that the financial specialist review and reconcile this account on a monthly basis to avoid future delays in submitting for reimbursement.

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 specialist is responsible for monitoring all budgets to ensure revenues and expenditures conform to what the principal has approved. In the school's action plan, the former principal indicated that spending would be monitored and adhere to approved budgets. In our sample of disbursements prior approval was not consistently obtained. We also noted that some line items on the athletic budget had been overspent and no pre-approval had been given for these additional expenditures. For a disbursement that utilizes a budget as pre-approval, the financial specialist is responsible for comparing all disbursements to the budget document to ensure that it conforms to what the principal has approved. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that MCPS Form 280-54 be prepared by staff with an estimate and signed by the principal at the time verbal approval is sought. 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 if necessary.

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 the event that funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and either place the sealed envelope in the business office safe or receive written acknowledgement that it was provided to the school business administrator. Verification of these funds will be conducted in the presence of the remitter as soon as possible thereafter and deposited promptly. In the school's action plan, the former principal indicated that all staff would remit funds daily and that the school financial specialist would be given time to go to the bank daily. Even though the school financial specialist was on long term leave for part of the audit period we did find that sponsors held fees collected at times rather than remitting them on a daily basis. We also noted that funds remitted were not always deposited on the last working day of each month and before each weekend or holiday. To minimize the risk of loss, all funds collected must be remitted daily and taken to the bank timely. We recommend staff be encouraged 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

- Implement strategies to improve IAF financial condition.
- Payment to MCPS for outstanding invoices must be made timely.
- MCPS reimbursement requests must be submitted timely and account reconciled each month.
- Purchase requests must be approved by the principal prior to procurement.
- Budgets must be monitored to compare income and expense projections to actual line item expenditures (**repeat**).
- Cash and checks (funds) collected by sponsors must be promptly remitted to the school financial specialist (**repeat**).
- 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 (**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 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 financial agents to support you with developing a well-defined plan to address the findings.

MJB:HT: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

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:	Fiscal Year:
School or Office Name:	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

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