


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 6, 2024

MEMORANDUM

To: Mr. Scott Gitchell, Acting Principal
Thomas W. Pyle Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2022, through August 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 October 21, 2024, meeting with you and Ms. Joanne Petro, school financial specialist, we reviewed the prior audit report dated January 6, 2023, 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

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 to properly record expenditures in appropriate accounts and to ensure that expenditures comply with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. The financial specialist will then mark the documentation as “paid” prior to disbursing the funds. In the school’s action plan, they indicated that Form 280-54 would be submitted and signed by the principal prior to all purchases, and that purchasers must confirm

receipt of goods or services prior to disbursement of funds. They also indicated that email approval is acceptable and will be attached to Form 280-54 if applicable. In our sample of disbursements, we found prior approval was not consistently obtained, and that some sponsors used personal credit/debit cards for large expenditures. We also noted instances in which controls over purchases were weakened including documentation supporting purchases 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 some items were shipped to staff member’s home addresses and that some check requests did not have supporting documentation attached, such as a detailed/itemized invoice/receipt. 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 and that staff members do not use their personal credit/debit cards for large expenditures. We also recommend that all support documents be 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. We also recommend that all items purchased for the school should be shipped to the school address and that the sponsors submit an original copy of the receipt/invoice to the financial specialist.

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. If payment due for the vendor’s services is \$1,500 or more, a purchase order is required, EXCEPT when contracting with Montgomery County Police Officers for high school event security. (refer to the *MCPS Financial Manual*, chapter 15, page 2). We found that this form was not always completed for all payments to independent contractors during our audit period and that the school paid independent contractors/consultants \$1,500 or more, without a purchase order. 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 and that the school financial specialist creates a purchase order in the Hub when amounts are \$1,500 or more.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card User’s Guide*. By the 5th business day of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements, or the statement of account landscape report, 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 tenth of the following month, using the online reconciliation program. In your action plan, you included that cardholders will use the online reconciliation program to identify, describe and review transactions. We found that some cardholders had not promptly prepared their monthly statements, provided description of items purchased, and indicated IAF account number when required. 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 that the financial agent collected fees/payments directly from students/parents instead of the sponsor collecting the fees. We also found an instance where a sponsor dropped off funds in the school safe and these funds were counted solely by the financial agent without another adult present. We also noted that the remittance slips were not always completed in their entirety by the sponsor or the school financial specialist, and at times not attached to a receipt. We recommend that no one person control all aspects of the cash receipt process from start to finish and that every receipt must be accompanied with a remittance slip unless it is a deposit check from an outside vendor. We also recommend that sponsors complete all part I of the remittance slip and that the school financial specialist completes all part II. To improve controls, we recommend adoption of the procedures outlined in the *MCPS Financial Manual*, chapter 7, page 4.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We found that there was a lack of adherence to these guidelines. We found that sponsors were not always preparing fundraiser request forms to obtain principal approval prior to the start of an activity and the school did not run all fundraiser activities through the districtwide fund-raising accounts. We also noted not all sponsors were submitting a completion report when the fund-raiser was finalized. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. We recommend that each fund raiser be approved by the principal in writing and the approval be retained in the school financial office. Financial activities for each fund-raising activity must be recorded in a separate account in the 7000 series and a completion report must be prepared that analyzes the results (refer to *MCPS Financial Manual*, chapter 20, page 12).

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement and invoices and receipts must be annotated as paid (**repeat**).
- Purchase documentation must be adequate to support disbursements, items must be shipped directly to the school and use of personal funds or credit/debit cards should be discouraged.
- MCPS Form 280-49A must be prepared and submitted to procurement for approval prior to the start of any work of independent contractors and services over \$1,500 must be paid through an MCPS Purchase Order.
- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide* (**repeat**).
- There must be dual control in the cash receipts process and the financial specialist can only collect obligations from students. All funds collected must be remitted with an MCPS Form 280-34

- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser* which includes a fund-raiser request and completion report.

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 Mrs. Jewel A. Sanders director of school support and improvement, Office of School Support and Improvement, for written approval of your plan. Based on the audit recommendations, Mrs. Sanders 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 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. Taylor

Ms. Alfonso-Windsor

Ms. McGuire

Dr. Moran

Mrs. Williams

Dr. Redmond Jones

Mr. Reilly

Mrs. Chen

Mr. Klausling

Mrs. Ripoli

Mrs. Sanders

Ms. Webb

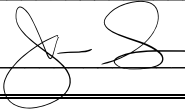
FINANCIAL MANAGEMENT ACTION PLAN

Report Date:	Fiscal Year:
School or Office Name:	Principal:
OSSI Associate Superintendent:	OSSI 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

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
		Text			

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