

Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

May 15, 2023

MEMORANDUM

To: Mrs. Elizabeth (Beth) L. Thomas, Principal  
Quince Orchard High School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
January 1, 2023, through December 31, 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 April 8, 2024, meeting with you; Danilo J. Santos Rodriguez, school business administrator; Mr. Jeffrey L. Rabberman, athletic director; and Mrs. Jessica L. Ayers, school financial specialist, we reviewed the prior audit report dated March 9, 2023, and the status of the present conditions. It should be noted that the appointment of Mr. Santos was effective July 1, 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**

School Financial Training (SFT) Part I, is required for principals within their first year of assignment. Refresher training is recommended every three years because policies, regulations, procedures, and technology applications are continuously updated (refer to the *MCPS Financial*

*Manual*, chapter 1, page 9). We noted that you have not taken SFT Part I since August 2018. We recommended that you immediately sign up to take SFT Part I.

The management of IAF must be in accordance with good business practices that include sound accounting and internal control procedures. We found that staff did not have adequate procedures in place for proper control and oversight of IAF. As a result, we noted a large number of accounting transfers, journal entries, and other transactions to correct duplicate entries, account number errors, and voided checks and receipts. Many transactions lacked descriptions to fully explain the accounting entry. We also noted instances of nonconformity with the districtwide standard chart of accounts and noted that sometimes transactions were not classified properly in appropriate accounts. We recommend that you work with the financial specialist to establish processes that will structure workflow to ensure control and appropriate oversight of IAF, and to monitor transaction activity in an effort to reduce the number of errors (refer to the *MCPS Financial Manual*, chapter 20, page 1). In addition, we recommend that the school's accounts be brought into compliance with the latest chart of accounts, and that guidelines for uses of funds be reviewed.

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. In our sample of disbursements, prior approval was not consistently obtained. We also found that MCPS Form 280-54 was not completed in its entirety, missing the account balance at the time of purchase request. In addition, we noted that the description of the disbursement was inadequate to clearly describe the items purchased when making payments to MCPS. 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 MCPS Form 280-54 is completed in its entirety. We also recommend using detailed descriptions when posting iPayments in School Funds Online (SFO).

To properly control receipts, cash and checks collected by sponsors for IAF activities must be remitted promptly and intact to the financial agent along with MCPS Form 280-34, *MCPS Remittance Slip*. Cash must be counted in the presence of the remitter, and a receipt that is supported by the remittance slip must be issued promptly. 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 our sample of receipts, we found instances in which funds were held by sponsors rather than being remitted daily to the financial agent, and there were a few discrepancies in receipted amounts that were not initialed by sponsors on MCPS Form 280-34. We also noted that the remittance form is not always signed by the financial agent and the receipt number is not always written upon receipting the funds. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected must be remitted daily to the financial agent and deposited timely. All collected funds must be receipted in dual control and any

corrections must be initialed by the sponsors. Additionally, the remittance form must be signed and the receipt number must be printed once it is entered in the school accounting system.

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 yearbooks, school store, fundraiser items, athletic uniforms, 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 that sales tax was not calculated correctly to account for all sales activities in Fiscal Year (FY) 2023. We recommend that you track all taxable sales on a spreadsheet to assist in calculating the correct amount of sales tax that needs to be remitted to the State of Maryland Controller's office.

Sponsors of field trips must have a complete class or club roster of student names to annotate the amount each student paid, by cash, check or online, the date paid, eligible students who did not participate in the trip, and students who received waivers/scholarships, or reduced fees. This data, together with a list of all chaperones and volunteers, must be provided to the final agent at the completion of each trip and compared to remittances recorded in the trip account history report (refer to the *MCPS Financial Manual*, chapter 20, page 10). School Cash Online (SCO) item attachment report may replace the field trip accounting sheet as long as all eligible students have data entered such as paid, waived, scholarship or did not attend. This report must be reviewed and initialed by the sponsor. We found that data was not being reconciled to the final account history report upon completion of each trip. We recommend that the final field trip accounting data be reconciled by the financial agent with remittances recorded in activity accounts.

Fundraising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fundraiser*. We noted that fundraiser requests were not on file for Homecoming, Prom and Drama productions. In addition, we noted that the income and expenses for the fall play were recorded in separate accounts. A fee was charged to students to participate and since the income and expenses were not recorded in the same account it is difficult to evaluate the results. Each fundraiser must be approved by the principal in writing and the approval retained in the school office. All income and expenses related to the drama production should be recorded in the same account and production fees and other related expenses should be recorded in a separate sub account, and a completion report prepared that analyzes the results (refer to the *MCPS Financial Manual*, chapter 20, page 13).

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

- Principal must attend SFT Part I.
- IAF must be managed in accordance with sound accounting practices and effective internal control procedures.
- Purchase requests must be approved by the principal prior to procurement and MCPS Form 280-54 must be completed in full with adequate description of items to be purchased. **(repeat)**
- Cash and checks (funds) collected by sponsors must be promptly remitted intact with a completed MCPS Form 280-34 to the school financial specialist. **(repeat)**

- Tax must be collected on all taxable sales and remitted to the Comptroller of Maryland.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate in order for financial agent to be able to reconcile funds collected with account history report.
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*.

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 Mr. Michael J. Zarchin, 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, Mr. Zarchin will indicate whether he 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:BK:rg

Attachment

Copy to:

Members of the Board of Education

Dr. Felder

Dr. Johnson

Ms. Dempsey

Mr. Hull

Dr. Moran

Mrs. Williams

Mr. Adams

Mr. Reilly

Ms. Bolden

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Mr. Zarchin

Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> 5/15/2023	<b>Fiscal Year:</b> FY23 and FY24.
<b>School or Office Name:</b> Quince Orchard High School	<b>Principal:</b> Mrs. Elizabeth L. Thomas
<b>OSSWB Associate Superintendent:</b>	<b>OSSWB Director:</b> Mr. Michael J. Zarchin
<p><b>Strategic Improvement Focus:</b>          As noted in the financial audit for the period <u>1/2023 - 12/2023</u>, 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
Principal must attend SFT Part I.	School Principal	PDO Class	Mrs. Thomas is attending May 13, 2024.	School Principal and SBA will visit this topic by the end of May 2024.	
IAF must be managed in accordance with sound accounting practices and effective internal control procedures.	School Financial Specialist	School Funds Online SFO	Mr. Santos and Ms. Ayers are taking refresher training.	SFS, School Principal and SBA.	
Purchase requests must be approved by the principal prior to procurement and MCPS Form 280-54 must be completed in full with adequate description of items to be purchased.	School Financial Specialist	MCPS Financial Manual.	Ms. Ayers will ensure that the form is properly completed before submitting it to Mrs. Thomas.	The School Financial Specialist will review it when it is received.	
Cash and checks (funds) collected by sponsors must be promptly remitted intact with a completed MCPS Form 280-34 to the school financial specialist.	School Financial Specialist	School Funds Online SFO	Ms. Ayers will present during pre-service week to set expectations, and refresh sponsors' fiduciary responsibilities.	The School Financial Specialist will review it when it is received.	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Tax must be collected on all taxable sales and remitted to the Comptroller of Maryland.	School Financial Specialist	Maryland Tax Connect	The School Financial Specialist will continue to maintain a spreadsheet to track all taxable items for accuracy.	School Financial Specialist and SBA.	
Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate in order for financial agent to be able to reconcile funds collected with account history report.	School Financial Specialist	School Funds Online SFO	The field trip process has been revised and shared with the staff. This information will also be included in Ms. Ayers' presentation.	The School Financial Specialist will continue to reconcile field trip finances and ensure accuracy.	
Fund-raising must conform to Guidelines for Sponsoring an IAF Fund Raiser.	School Financial Specialist	School Funds Online SFO	Fundraising process will be reviewed and communicated with all staff sponsoring a fundraiser. Staff will need to initial and/or sign to confirm they reviewed it.	School Financial Specialist will continue to review and verify all fundraising activities.	

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**OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)**

Approved       Please revise and resubmit plan by \_\_\_\_\_

Comments:

Director:  Date: 7-17-24