


Internal Audit Unit
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

August 30, 2024

MEMORANDUM

To: Mr. Daniel Miller, Principal
Ridgeview Middle School

From: Mary J Bergstresser, Supervisor, Internal Audit Unit 

Subject: New Principal Appointment Review of the Report on Audit of Independent Activity Funds for the Period April 1, 2022, through September 30, 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 and are charged with determining the manner in which funds are raised and expended for activities such as field trips, admission events, and fund-raisers. They are responsible for ensuring that the IAFs are administered in accordance with Board of Education policies and MCPS regulations and procedures.

It should be noted that your appointment as principal was effective July 1, 2024. When a new principal is appointed to a school, we normally conduct an audit of Independent Activity Funds (IAF). Based upon the recently conducted audit of December 6, 2023 (see attachment), it is not necessary to conduct another IAF audit at this time. At our August 23, 2024, meeting with you, and Mr. Albert (Al) Sisco, school financial specialist, we reviewed the prior audit report, and the status of present conditions. No response to this report is necessary.

MJB:rg

Attachment

Copy to:

Members of the Board of Education	Dr. Campbell
Dr. Taylor	Mr. Reilly
Ms. Alfonso Windsor	Mrs. Chen
Ms. Dempsey	Mr. Klausling
Ms. McGuire	Mrs. Ripoli
Dr. Moran	Dr. Zarchin
Mrs. Williams	Ms. Webb

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 6, 2023

MEMORANDUM

To: Mr. Stephen Reck, Acting Principal
Ridgeview Middle School

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



Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2022, through September 30, 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 November 8, 2023, meeting with you, and Mr. Albert Sisco, school financial specialist, we reviewed the prior audit report dated May 4, 2022, and the status of the present conditions. It should be noted that your appointment as acting principal was effective October 9, 2023, and Mr. Sisco's assignment as school financial agent 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

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. Disbursements made by Automated Clearing House (ACH) drawn

on the school's IAF bank account, regardless of the documentation that approved the procurement of goods and services, are required to be approved by the principal using MCPS Form 280-54, with a summary spreadsheet detailing the IAF account(s) to be charged, prior to expenditure of funds (refer to the *MCPS Financial Manual*, chapter 20, page 6). In our sample of disbursements, we found instances in which purchases were not pre-approved, balances were not included on MCPS Form 280-54, receipts did not contain payment information and MCPS i-Payment invoices had not been reviewed and authorized for payment by the principal. We recommend that MCPS Form 280-54 be prepared in completion by staff with an estimate of expected expenditure and signed by the principal at the time verbal approval is sought. Receipts and/or other ordering documents submitted for reimbursement should contain payment information. We also recommend that all MCPS iPayments be reviewed and approved by the principal using MCPS Form 280-54 with all supporting payment documentation.

An advance of funds to a staff member for allowable IAF expenditures must be issued by check to the staff member for conversion to cash. The advance must be routinely monitored for timely return of receipts documenting expenses and any unspent cash for deposit. We noted cash advances were made to a staff member on several occasions, and there was a lack of consistent accountability for these advances. For some advances, supporting purchase receipts or cash were not returned or were returned several weeks or months after purchases were made. We also noted instances where the amounts requested as an advance exceeded what was needed to pay expenses. In addition, a personal credit card was used instead of a debit card or cash to make the purchases. We recommend that the use of advances be curtailed.

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, and when it was completed it was done after work was performed. 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 should 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). To minimize the risk of loss, all funds collected must be remitted daily. 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 and those funds be taken to the bank timely.

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement.

- Purchase documentation must be adequate to support the disbursement.
- MCPS iPayments must be approved using MCPS Form 280-54.
- Cash advances should not be issued unless there is no other means.
- Payments to independent contractors/consultants require approval using MCPS Form 280-49A.
- Cash and checks (funds) collected by sponsors must be promptly remitted and deposited.

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 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 school financial specialist to support you with developing a well-defined plan to address the findings.

MJB:ABB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Dr. Collins

Mr. Hull

Dr. Kimball

Mr. Stockton

Mrs. Williams

Mr. Adams

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausning

Mrs. Ripoli

Mr. Zarchin

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 12/06/2023	Fiscal Year: 2023
School or Office Name: Ridgeview Middle School	Principal: Stephen Reck
OSSWB Associate Superintendent: David Adams	OSSWB Director: Michael Zarchin
Strategic Improvement Focus: As noted in the financial audit for the period <u>04/22-09/23</u> , strategic improvements are required in the following business processes:	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchase requests must be approved by the principal prior to procurement.	Al Sisco and Stephen Reck	MCPS form 280-54	Staff will be trained at pre-service and throughout the school year to make sure they submit their purchase request forms prior to any purchases.	Al Sisco and Stephen Reck	All purchases will have prior approval.
Purchase documentation must be adequate to support the disbursement.	Al Sisco and Stephen Reck	Receipts from vendors	Staff will not be reimbursed for items purchased without the correct documentation.	Al Sisco and Stephen Reck	All purchases will have the correct purchase documentation submitted.
MCPS I-payments must be approved using MCPS form 280-54	Al Sisco and Stephen Reck	MCPS form 280-54	All MCPS I-Payments will have prior approval from the principal on MCPS form 280-54	Al Sisco and Stephen Reck	All MCPS I-Payments will have a MCPS form 280-54 on file.
Cash advances should not be issued unless there is no other means.	Al Sisco	None	No Cash advances will be given as new school policy.	Al Sisco	No cash advances will be given to staff.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Payments to independent contractors/consultants require approval using MCPS form 280-49A	Al Sisco	MCPS form 280-49A	All independent contractors and consultants will have a 280-49A sent into the Division of the Controller prior to work being done.	Al Sisco	No independent contractors or consultants will complete any work without a 280-49A being completed.
Cash and checks collected by sponsors must be promptly remitted and deposited.	Al Sisco and School Sponsors	MCPS Remittance Form	Sponsors have been told that all cash and checks must be remitted daily to the Finance Office.	Al Sisco	No cash or checks will be held overnight.

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved Please revise and resubmit plan by _____

Comments:

Director:  _____ Date: 12/12/2023