


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 23, 2023

MEMORANDUM

To: Mr. Darryl V. Johnson, Principal
Rocky Hill Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
June 1, 2021, through December 31, 2022

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 February 3, 2023, meeting with you and Mrs. Shubha Prabhu, school financial specialist, we reviewed the prior audit report dated July 2, 2021, and the status of the present conditions. It should be noted that your appointment as principal was effective July 1, 2022. 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 General Ledger Report must be prepared and given to you no later than the 20th day following the close of each month (refer to the *MCPS Financial Manual*, chapter 20, page 9). Your review of these reports are critical to the management of the IAF so that sound business decisions can be made when requests for purchases are submitted. Your review of reports should alert you to large negative balances that continue to the end of the school year, and prompt you to take timely

corrective action to eliminate the cause of such negative balances (refer to the *MCPS Financial Manual*, chapter 20, page 12). Although the former principal was signing monthly reports to indicate review, we found that the staff appreciation account had negative balances at the end of the last two (2) school years, without a plan to eliminate the cause of the negative balance. We recommend that you meet regularly with the school financial specialist to review the reports and develop a plan for reducing the negatives balances so that reports accurately present the IAF financial position.

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. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. The school financial specialist will then mark the documentation as “paid” prior to disbursing the funds. In our sample of disbursements, we found instances in which controls over purchases were weakened including incidents where purchases were not pre-approved, 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 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. We also recommend that 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 sign/dated by the recipient. Requiring invoices to be marked “received” ensures that goods or services have been satisfactorily received prior to payment.

Only the principal or acting principal may obligate the school by contract for the purchase of equipment, supplies, or services procured with IAF. All contracts must be signed by the principal or acting principal and by an authorized representative of the contractor (refer to the *MCPS Financial Manual*, chapter 20, page 7). We observed that contracts for the Fiscal Year (FY) 2022 Yearbook and FY 2023 PE Uniforms had been executed by sponsors, instead of the principal. We recommend that all contracts be executed by the principal and retained on file for audit.

Notice of Findings and Recommendations

- Staff appreciation accounts continue to have negative balances with no clear funding source.
- Purchases must be pre-approved and invoices and receipts must be annotated as received to indicate goods and services were received and disbursement was made (**repeat**).
- Contracts must be signed by the principal or acting principal.

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. Christophe Turk, director of school support and well-being, Office of Student Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Mr. Turk 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:PM:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. Hull

Dr. Murphy

Ms. Reuben

Mr. Stockton

Mrs. Williams

Ms. Morris

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Mr. Turk

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:	Fiscal Year:
School:	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

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)	
<input type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____	
Director: <u>Christophe Turk</u>	Date: <u>3/17/23</u>