


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 23, 2024

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
January 1, 2023 through September 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 December 6, 2024, meeting with you and Mrs. Shubha Prabhu, school financial specialist, we reviewed the prior audit report dated February 23, 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 agent will then mark the documentation as “paid” prior to

disbursing the funds. In your action plan, you indicated that your school financial specialist would ensure that purchases were pre-approved and invoices and receipts were annotated as received by purchase requester. In our sample of disbursements, prior approval was not consistently obtained and invoices were not always marked “received” before disbursing funds. 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 of expected expenditure and signed by the principal at the time verbal approval is sought and that invoices are marked “received” as verification that items have been received and are correct. 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.

Only the principal or acting principal may obligate the school by contract for the purchase of equipment, supplies, or services procured with IAF funds. 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). In your action plan, you indicated that you would ensure contracts would be signed by the Principal. We found that the school had contracts that were signed by sponsors instead of the principal. We recommend that all contracts be signed by only the principal and retained on file for audit.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with MCPS Form 280-34, *Remittance Slip*, to the financial agent on the day the funds are received. We found instances in which staff collecting funds were holding funds rather than remitting them timely to the school financial specialist. We recommend that all staff who collect funds for school activities be reminded of remittance requirements (refer to the *MCPS Financial Manual*, chapter 7, page 4).

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 (**repeat**).
- Contracts must be signed by the principal or acting principal (**repeat**).
- Funds must be remitted to the financial agent on the day they are received.

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 improvement, Office of School Support and Improvement, 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:ABB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. Taylor

Ms. Alfonso-Windsor

Ms. McGuire

Dr. Moran

Mrs. Williams

Mr. McGee

Mr. Reilly

Mrs. Chen

Mr. Klausling

Mrs. Ripoli

Mr. Turk

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 01/15/2025	Fiscal Year: 2024-2025
School or Office Name: Rocky Hill MS	Principal: Darryl V. Johnson
OSSI Associate Superintendent:	OSSI Director:
Strategic Improvement Focus: As noted in the financial audit for the period <u>01/23 -09/24</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	Purchase Requester/ Activity Sponsor/Team Leader/Financial Specialist	N/A	Activity Sponsors, will be provided with guidelines and expectations to comply and adhere to MCPS financial regulations in the pre-service week meetings.	Financial Specialist - Will document in email and cc principal with any staff not in compliance	- Staff Checklist reminders all through the school year - Ongoing communication with the purchase requester, team leaders, sponsors.
			One on one meetings with SFS will be set up if necessary to understand financial policies and MCPS financial guidelines.	Financial Specialist - Will document in email, collaborate with principal regarding staff not in compliance	- Staff follow up reminders - Ongoing communication - Staff memo - Meeting with Principal
Purchaser must confirm receipt of goods or services prior to disbursement.	Purchase Requester/ Activity Sponsor/Team Leader/ Financial Specialist	N/A	Financial Specialist will remind staff members after the order is placed to follow up to receive, verify their purchase and receipt of goods and services	Financial Specialist - Will document in email, collaborate with principal regarding staff not in compliance	- Staff Checklist reminders - Verbal and written communication - Meeting with Principal
Contracts must be signed by the principal or acting principal	Activity Sponsor/Team Leader	N/A	Staff members will be provided with guidelines and expectations to comply and adhere to MCPS financial regulations in the pre-service week meetings.	Financial Specialist - Will document in email and cc principal with any staff not in compliance	- Staff Checklist reminders - Meeting with the sponsor - Meeting with Principal

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Funds must be remitted to the financial agent on the day they are received.	Activity Sponsor/Team Leader	N/A	<ul style="list-style-type: none"> - Overview of guidelines to be shared with all Activity sponsors. - Staff Checklist reminders 	Financial Specialist and Principal	<ul style="list-style-type: none"> - Documented Email communication - Meeting with Principal
			<ul style="list-style-type: none"> - SFS to follow up with sponsor on MCPS procedures & update principal 	Financial Specialist - Will document in email and cc principal with any staff not in complia	

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved
 Please revise and resubmit plan by _____

Comments:

Director:  Date: 1/27/25