


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

September 9, 2024

MEMORANDUM

To: Mr. Stephen Reck, Principal
Rosa M. Parks Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2022, through June 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 August 23, 2024, meeting with you and Mr. Quinton B. McHenry, school financial specialist, we reviewed the prior audit report dated October 19, 2022, and the status of the present conditions. It should be noted that your appointment as principal was effective July 1, 2024. 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

Payments for services to independent contractors or consultants who are not corporations must be properly reported to the Internal Revenue Service (IRS) by the Division of Controller. Before payment is made, the school must obtain a completed IRS Form W-9, *Request for Taxpayer Identification Number and Certification*, if the vendor has not previously submitted. Once this form has been submitted the controller's office will establish the vendor in School Funds Online

(SFO) as a districtwide vendor. Prior to making any payments to independent contractors or consultants the school must verify the vendor is reported in SFO as a districtwide 1099 vendor. The Division of Controller annually reviews payments made to all districtwide vendors for issuance of IRS Form 1099 in compliance with federal tax reporting requirement (refer to the MCPS Regulation DIA-RB, *Payments for Services and Reimbursements for Expenses from School Independent Activity Funds*). We found you paid an independent contractor for DJ services and did not obtain a W-9 and vendor was not recorded in SFO as a districtwide 1099 vendor. We recommend that payments for services be made and reported in compliance with the applicable regulations and procedures (refer to the *MCPS Financial Manual*, chapter 20, page 15).

Controls over cash receipts needs improvement. Staff collecting funds were holding funds rather than remitting them timely to the school financial specialist. Also, the school financial specialist was not always making timely deposits and was holding money in excess of permitted amounts. Infrequent deposits increase the possibility of a loss of funds, diminish the school's ability to fund activities, and are contrary to the MCPS Financial Manual. 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 to the school financial specialist daily (refer to the *MCPS Financial Manual*, chapter 7, page 4). In addition, all remittances must be deposited timely and always before each weekend, holiday or last day of the month.

Notice of Findings and Recommendations

- Independent contractors or consultants must be entered into SFO as districtwide 1099 vendors prior to disbursement.
- Cash and checks (funds) collected by sponsors must be remitted daily and promptly receipted and deposited in the bank by the financial specialist in accordance with chapter 7 of the *MCPS Financial Manual*.

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 Dr. Eugenia S. Dawson director of school support and improvement, Office of School Support and Improvement, for written approval of your plan. Based on the audit recommendations, Dr. Dawson 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:ABB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. Taylor

Ms. Alfonso-Windsor

Ms. Dempsey

Ms. McGuire

Dr. Moran

Mrs. Williams

Dr. Redmond Jones

Mr. Reilly

Mrs. Chen

Dr. Dawson

Mr. Klausling

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: September 9, 2024	Fiscal Year: FY25
School or Office Name: Rosa M. Parks Middle School	Principal: Mr. Stephen Reck
OSSI Associate Superintendent: Dr. Eugenia S. Dawson	OSSI Director: Dr. Donna Redmond Jones

Strategic Improvement Focus:

As noted in the financial audit for the period 9/1/22 - 6/30/24, strategic improvements are required in the following business processes :

All Staff will follow MCPS guidelines ensuring independent contractors are registered district-wide vendors. All staff will ensure funds are deposited per MCPS guidelines

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Financial Specialist should ensure that Independent Contractors or Consultants are entered into SFO as district-wide 1099 vendors prior to any disbursement per MCPS Financial Manual Chapter 7, page 4. Financial Specialist should obtain an IRS form W9 from the vendor if one has not previously been submitted.	Financial Specialist	IRS form W9 MCPS form 280-49A	Financial Specialist will not pay any Independent Contractors without first ensuring that they are registered district-wide 1099 vendors.	Principal, Financial Specialist, prior to signing checks to vendors.	Independent Contractors will be entered into SFO and listed as District-wide 1099 vendors
Cash and check funds collected by sponsors must be remitted daily and promptly receipted and deposited in the bank by the Financial Specialist in accordance with Chapter 7 of the MCPS Financial Manual.	RPMS Sponsors, Financial Specialist	MCPS IAF Remittance form 280-34	Sponsors will submit all funds received to the Financial Specialist using the MCPS IAF Remittance form 280-34. Financial Specialist will deposit daily.	Financial Specialist will ensure all funds are promptly receipted and deposited daily.	All bank deposit receipts will be matched with IAF Remittance documentation.

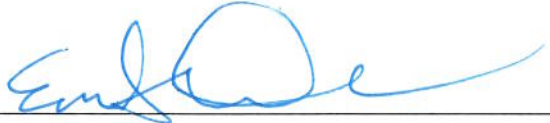
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OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved

 Please revise and resubmit plan by _____

Comments:

Director: 

Date: 10/16/24