


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

May 30, 2025

MEMORANDUM

To: Mr. Ricardo E. Hernandez, Principal  
Seneca Valley High School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
August 01, 2023, through February 28, 2025

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 May 15, 2025, meeting with you; Mrs. Monique N. Riddick, school business administrator; and Ms. Lillian Burgos, school financial specialist, we reviewed the prior audit report dated September 18, 2023, and the status of the present conditions. It should be noted that your appointment as principal was effective December 1, 2023, and Ms. Burgos' assignment as school financial specialist was effective April 29, 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**

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 entries, account number

errors, and voided checks and receipts. 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).

Internal control is a process of interconnected policies, regulations, and procedures, as well as employees' attitudes and actions that work together to provide a system of checks and balances to achieve proper authorization of expenditures and safeguarding of assets. The principal is the individual who has the overall fiduciary responsibility for the IAF (refer to the *MCPS Financial Manual*, chapter 20, page 4). We noted untimely recording of Automatic Clearing House (ACH) electronic deposits. You must initiate a monitoring process to enforce IAF policies, regulations, and procedures in order to promote timely and accurate recording of financial transactions. We further recommend that all electronic payments be posted when the school is notified of the transaction in order to maintain the integrity of the IAF account balances.

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 secretary will then mark the documentation as "paid" prior to disbursing the funds. In our sample of disbursements, we found prior approval was not consistently obtained and documentation was not annotated by recipient to indicate purchased goods or services were satisfactorily received. 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. 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 signed/dated by the recipient. Requiring invoices to be marked "received" ensures that goods or services have been satisfactorily received prior to payment.

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, EXCEPT when paying vendors from the MCPS approved carrier (charter bus) list. If payment due for the vendor's services is \$1,500 or more, a purchase order is required, EXCEPT when contracting with Montgomery County Police Officers for high school event security or with vendors from the approved carrier list. We found that this form had not been completed for all payments made to independent contractors during the audit period, additionally there were some vendors paid more than \$1,500 during a fiscal year that should have been paid on a purchase order entered in the Business Hub (refer to the *MCPS Financial Manual*, chapter 15, page 2).

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card Users Guide*. By the fifth business day of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements, or the statement of account landscape report, must be printed and provided to the approver, with all purchase receipts and invoices attached. The principal or designee must review each cardholder's transactions and approve them by the 10th of the following month, using the online reconciliation program. We found that some cardholders had not promptly prepared their monthly statements nor attached their purchase receipts, and not all invoices were marked as received. It appears that the approvers were at times approving transactions in the online system without reviewing the statement of account landscape and corresponding receipts. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

To properly control funds, all cash and checks collected by sponsors for IAF activities must be remitted promptly to the financial agent. These funds must then be verified in the presence of the remitter and a receipt that is supported by MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, must be issued promptly (refer to the *MCPS Financial Manual*, chapter 7, page 5). A pre-numbered receipt shall be completed by the financial agent, and the original shall be given to the person who remitted the funds. This establishes documentary evidence for both parties that provides a written record of the source and amount of the funds for accounting purposes (refer to the *MCPS Financial Manual*, chapter 7, page 4). 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). Every receipt shall be attached to the remittance slip and any other source documentation and be filed in sequential order together with a copy of the deposit slip validated by the bank. In the school's action plan, they indicated that all funds would be remitted promptly and that all funds would be deposited daily. We noted that many of the sponsors were holding funds and not remitting them on the day collected. We noted that the athletic specialist held funds on one occasion for over a month. We also found that at times the school financial specialist was not always making timely deposits and was holding money in excess of permitted amounts. We also noted that MCPS Form 280-34 was not attached to the deposit packet and the pre-numbered receipt from School Funds Online (SFO) was not provided to the sponsors. 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 financial agent daily and entered into the accounting software. In addition, all remittances on hand must be deposited promptly, and always before each weekend, end of the month, or holiday. We recommend the school financial specialist document the reason for any late remittances on MCPS Form 280-34 and that all remittances slips be attached with the office receipt copy and kept on files. The school financial specialist must also give a copy of the receipt to the sponsor remitting the funds.

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

- Management of the IAF must be in accordance with good business practices.

- ACH deposits and withdrawals must be posted timely in SFO.
- Purchase requests must be approved by the principal prior to procurement and confirm receipt of goods or services prior to disbursement.
- MCPS Form 280-49A must be prepared and submitted to procurement for approval prior to the start of any work of independent contractors, and services over \$1,500 must be paid through an MCPS Purchase Order.
- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide*.
- Cash and checks (funds) collected by sponsors must be promptly remitted to the financial agent and all staff must be provided a receipt (**repeat**)
- Cash and checks (funds) remitted by sponsors must be promptly receipted and deposited in the bank by the financial specialist in accordance with Chapter 7 of the *MCPS Financial Manual* (**repeat**).

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. David T. Chia, director of school support and improvement, Office of School Support and Improvement, for written approval of your plan. Based on the audit recommendations, Mr. Chia 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 administrative secretary to support you with developing a well-defined plan to address the findings.

MJB:YSG:rg

Attachment

Copy to:

Members of the Board of Education  
Dr. Taylor  
Mrs. Alfonso-Windsor  
Ms. McGuire  
Dr. Moran  
Ms. Seabrook  
Dr. Campbell

Mr. Reilly  
Mrs. Chen  
Mrs. Gomez  
Mr. Chia  
Mr. Klausing  
Mrs. Ripoli  
Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

**Report Date:** May 30, 2025

**Fiscal Year:** 2025

**School or Office Name:** Seneca Valley High School

**Principal:** Ricardo Hernandez

*RH*

**OSSI**

**OSSI**

**Associate Superintendent:** Dr. Tamitha Campbell

**Director:** David Chia

### Strategic Improvement Focus:

As noted in the financial audit for the period 8/1/23 - 2/28/25, strategic improvements are required in the following business processes :

internal controls, ACH deposits and withdrawals, prior written approval from principal, completion of 280-49a, purchase card activities, and funds collection.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
The financial specialist will review chapter 20 of the MCPS Financial Manual and develop a schedule to close the finance office at least one hour daily to reduce interruptions.	School Financial Specialist	MCPS Financial Manual	Weekly review of SFO financial records. Number of corrections made due to errors.	School Business Administrator and School Financial Specialist will review weekly.	Reduction of errors and corrections.
ACH deposits and withdrawals will be entered as received by MCPS and GoFan notification emails.	School Financial Specialist	MCPS and GoFan Notification Emails	Monthly Bank Statements, Weekly GoFan Statements.	School Financial Specialist will review ACH notifications weekly.	All ACH transactions will be processed as received.
Staff will not be reimbursed for purchases made without prior written approval from the principal. Retraining of staff on how to request funds. School Business Administrator will review all 280-54 before processing is completed.	Sponsor, School Financial Specialist, School Business Administrator	280-54 Request for Purchase	280-54 will be submitted to principal for approval using a quote only. Staff will be retrained during preservice.	School Business Administrator and School Financial Specialist will review 280-54 daily.	No payments will be made to staff who purchase items without receiving a signed 280-54 Request for Purchase in advance.
Payments to independent contractors/consultants require approval using MCPS Form 280-49A and any services over \$1500 must be entered into the HUB. Sponsors will submit 280-49A and requests for over \$1500 at least three weeks in advance.	Sponsor, School Financial Specialist, School Business Administrator	280-49A	Weekly review of 280-49A submissions.	School Business Administrator and School Financial Specialist will review weekly.	No school check will be processed for over \$1500 for services. The completed 280-49A, once processed, will allow for appropriate expenditures.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools: Data Points	Monitoring: Who & When	Results/Evidence
Purchase cardholders will review transactions, sign receipts, and submit statement to the finance office by the 5th of every month. The approver will review and approve all transactions by the 10th of every month.	Sponsor, School Business Administrator, Principal	JP Morgan Payment Net	JP Morgan Payment Net will be monitored weekly. Monthly checklist of cardholders statements returned to finance office.	School Business Administrator, Principal will review monthly.	All purchase card transactions will be reviewed and approved by the 10th of every month.
Funds collected by sponsors will be remitted daily to the school financial specialist using a 280-34. Retraining of staff on proper funds handling procedures during preservice.	Sponsor, School Financial Specialist	280-34, Preservice Presentation	Daily review of active SFO accounts.	School Financial Specialist will review daily.	All funds collected by sponsors will be remitted daily to the finance office.
Funds collected by the school financial specialist will be deposited daily to the bank in accordance with Chapter 7 of the MCPS Financial Manual.	School Financial Specialist	SFO	School Financial Specialist will provide written note for any deposits made through the lock box or after the duty day.	School Financial Specialist will review daily. School Business Administrator will review monthly.	All funds collected by School Financial Specialist will be remitted to the bank daily.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

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

☒ Approved

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

Comments:

Director:



Date: 7/15/2025