

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

March 12, 2024

MEMORANDUM

To: Ms. Vilma C. Najera, Principal
Watkins Mill High School

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



Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2023, through December 31, 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 February 13, 2024, meeting with you; Mr. Edwin A. Solano, school business administrator; and Ms. Lisa A. Holderman, school financial specialist, we reviewed the prior audit report dated March 3, 2023, and the status of the present conditions. It should be noted that your appointment as principal was effective July 1, 2023, and Mr. Solano's assignment as school business administrator was also 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

The procurement of goods and services must adhere to Board of Education policy, MCPS regulations and guidelines, and the Procurement Unit's Procurement Manual. In addition, the procurement of goods and services must be approved in writing by the principal prior to staff

proceeding with any intended purchase. This prior approval may be granted by the principal's signature on MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, or a budget prepared by the sponsor of a school activity. The purpose of each disbursement must be fully explained on MCPS Form 280-54 in order to properly record expenditures in appropriate accounts and to ensure that expenditures comply with IAF requirements. The budget, when utilized, must be approved by the principal and indicate projected revenue by source and projected expenditure by type of item for a period of time not to exceed one fiscal year. The sponsor cannot exceed the total amount of each expenditure outlined in the approved budget without receiving prior written approval of the principal to amend the budget. The financial agent is responsible for monitoring all budgets to ensure revenues and expenditures conform to what the principal has approved. In the school's action plan, they indicated that an approved detailed athletic budget would be prepared and amended when needed to serve as principal's prior approval. In review of purchases, we noted that prior approval was not consistently obtained and many line items on the athletic budget had been overspent and no pre-approval had been given for these additional expenditures. We also noted that purchases for the school store were not pre-approved, and no approved budget was found on file. For a disbursement that utilizes a budget as pre-approval, the financial agent is responsible for comparing all disbursements to the budget document to ensure that it conforms to what the principal has approved. We recommend that MCPS Form 280-54 be prepared by staff, with an estimate, and signed by the principal at the time verbal approval is sought. 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. We also recommend that your athletic specialist and financial specialist monitor the approved budget to ensure revenues and expenditures conform to what the principal has approved (refer to the *MCPS Financial Manual*, chapter 20, page 4).

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. In the school's action plan they indicated that all payments for consultant/independent contractors would be approved using MCPS Form 280-49A. We found that this form was not always completed for payments to independent contractors during our audit period. 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).

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement either by using MCPS Form 280-54 with an estimate or an approved budget.
- Budgets must be monitored to compare income and expense projections to actual results and adjusted as needed prior to overspending line items (**repeat**).
- Payments to independent contractors/consultants require approval using MCPS Form 280-49A (**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 W. Adams, acting associate superintendent 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. Adams 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 financial agents to support you with developing a well-defined plan to address the findings.

MJB:HT:rg

Attachment

Copy to:

Members of the Board of Education

Dr. Felder

Mr. Hull

Dr. Johnson

Dr. Moran

Mrs. Williams

Mr. Adams

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN	
Report Date: March 12, 2024	Fiscal Year: FY24
School or Office Name: Watkins Mill High School	Principal: Vilma C. Najera
OSSWB Associate Superintendent: David Adams	OSSWB Director
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>1/1/23-12/31/23</u>, strategic improvements are required in the following business processes : principal approval on MCPS Form 280-54, budget monitoring and MCPS Form 280-49A for payments to independent contractors.</p>	

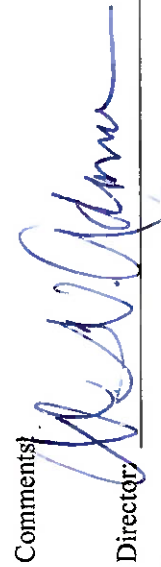
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Staff members are being reminded of the pre-approval process to purchase items using Independent Activity Funds (IAF). The process is conveyed in the financial portion of pre-services week. If approval is not given prior to purchases, reimbursements may be denied.	All staff members, Financial Specialist, School Business Administrator and Principal.	MCPS Form 280-54, Receipts after pre-approval to complete reimbursement	Ensuring the dates of receipts are after pre-approval date.	SFS will review 280-54 prior to moving forward with approval process	All purchases will be approved prior to be executed to ensure funds are available in each IAF account.
Budgets will be submitted for fundraisers, athletics and school store. The budget will outline expected expenditure for the fiscal year and if budget is to be exceeded in a category, prior approval will be needed from the Principal.	All sponsors who require a budget, SFS, SBA and Principal	Completed budget with principal approval beginning of the fiscal year	Sponsors reconcile accounts monthly and ensure that budget is not exceeded. Match projected expenses to actuals, seek approval if a deficit is expected	Account sponsor monitors the monthly account history report EOM. Assess budget mid-year	Ensure that budgets are adhered to and if there are any fluctuations than the budget may need to be reassessed and approved by the principal.
All contractors hired to provide a service using IAF will need MCPS Form 280-49A on file prior to any work begins. Sponsors of accounts will not be able to use MCPS Form 280-54 to pay vendor for services. All staff will be reminded that this is required for any activities planned throughout the school year.	Sponsors who have activities that include independent contractors	Require W9, MCPS 235-40 and proposal of work to complete 280-49A	Contractors will not be permitted to complete any work unless there is an approved 280-49A on file for them.	SBA will confirm approved vendors and seek that forms are completed before any work begins	Contractors will have the proper background screening and approval from Procurement office. Invoices will only be paid if there is a 280-49a on file

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: 4/29/24