


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 6, 2025

MEMORANDUM

To: Mrs. Nicole Walker, Principal
Westland Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2022, through October 31, 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 January 27, 2025, meeting with you and Ms. Suzanne W. Marcou, school financial specialist, we reviewed the prior audit report dated February 9, 2023, and the status of the present conditions. It should be noted that your appointment as principal was effective July 22, 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

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. In the school's action plan, it was stated that all form 280-54's would be completed to include proof of principals pre-approval. In our sample of disbursements, prior approval was not consistently obtained. 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.

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. We found that this form had not been completed for all 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).

A school must work with the operating budget staffing allocations provided by MCPS. IAF funds cannot be used to pay for substitutes or salaries (refer to the *MCPS Financial Manual*, chapter 20, page 21). We found that you used IAF funds to pay for substitutes that were hired to cover for teachers for quarterly planning meetings, for planning, preparing and development of reading curriculum, and for completion of quarterly reports. The school's Parent Teacher Student Association (PTSA), reimbursed the school for these expenses. The IAF cannot be used to supplement additional staffing hours. The PTSA should not be paying for the substitutes so teachers can get extra planning time. Maryland Free State PTA, Inc. advises PTSA's to not spend funds for any items that should be supplied by the local Board of Education and that includes funding of school personnel. We recommend that the school work with the staffing allocations that they have been provided and that teachers utilize professional days and the additional 16 hours provided for work done outside the normal duty day for planning.

Use of MCPS Form 280-46, *Independent Activity Funds Request for Payment to MCPS Employees for Services (Work) Performed*, to compensate employees with IAF, must be in accordance with MCPS pay rate guidelines and payroll processes (refer to the MCPS Regulation DIA-RB, *Payments for Services and Reimbursements for Expenses from School Independent Activity Funds*). We noted that you did not have the paperwork on file to verify hours and payrate for one employee paid. We also noted you paid a secretary to attend Outdoor Education and paid them the stipend out of the IAF instead of requesting payment through MCPS. We found that two employees were paid for services as a coordinator for talent show and group photography lessons using MCPS Form 280-46 instead of being paid as an Extracurricular Activity (ECA) class 1 activity. According to the ECA program handbook, class 1 stipends are to be paid at the rate of \$17.50 an hour for no more than 100 hours per activity. We found that you paid these employees over the allowable ECA pay rate for Fiscal Year (FY) 2024. We recommend that you review your process for paying employees for work performed outside of their regular duty day and pay in accordance with MCPS guidelines. In additions, we recommend that you include certain employees in your class 1 ECA plan for FY 2025.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities must be remitted promptly to the financial specialist. Cash must be counted in the presence of the remitter, or another staff member, and a receipt that is supported by the remittance slip must be

issued promptly. In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and either place the sealed envelope in the business office safe or receive written acknowledgement that it was provided to the financial specialist. Verification of these funds will be conducted in the presence of the remitter as soon as possible thereafter. We found that the school financial specialist was at times completing the remittance slips for staff members, and that funds were not always counted in front of the sponsor or another staff member when left in the drop safe. We also found that the school financial specialist was not always making timely deposits. To improve controls, we recommend adoption of the procedures in the *MCPS Financial Manual*, Chapter 7 pages 3-4. It is important to have separation of duties for cash handling. We noted at times the school financial specialist was collecting fees directly from students. The school financial specialist should only be collecting student obligations since they are controlled through the use of School Cash Online (SCO). It is recommended that another staff member, preferably the account sponsor, be responsible for collecting fees and remitting them to the school financial specialist using MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. In the school's action plan, it was stated that all fundraisers would be approved in advance and completions submitted for review. We found that there was a lack of adherence to these guidelines. We found not all sponsors were preparing fundraiser request forms to obtain principals approval prior to the start of an activity. We also noted that not all sponsors were submitting a completion report when the fundraiser was finalized. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. We recommend that each fund raiser should be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund-raising activity should be recorded in a separate account in the 7000 series and a completion report prepared that analyzes the results (refer to the *MCPS Financial Manual*, chapter 20, page 13).

Sponsors of field trips must have a complete class or club roster of student names to annotate the amount each student paid, the date paid, eligible students who did not participate in the trip, and students who received waivers, scholarships, or reduced fees. This data, together with a list of all chaperones and volunteers, must be provided to the school financial specialist at the completion of each trip and compared to remittances recorded in the trip account history report (refer to the *MCPS Financial Manual*, chapter 20, page 10). SCO item attachment report may replace the field trip accounting sheet as long as all eligible students have data entered such as paid, waived, scholarship or did not attend. This report must be reviewed and initialed by the sponsors. We found that not all sponsors were providing completed data at the conclusion of each trip, and that data was not being reconciled to the final account history report. In addition, SCO was not properly maintained to report all payments received at the school. We recommend that all trips be made available for payment on SCO, required documentation be kept on file for audit, and that field trip payments be recorded in SCO to provide complete data at the conclusion of each trip. This data must be reconciled by the school financial specialist with remittances recorded in activity accounts.

MCPS Regulation DMB-RA, *Control of Admission Receipts*, sets forth procedures for the control of admission receipts for school events. The accounting for these events must be controlled with serially numbered ticket, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and perpetual inventory of tickets (refer to the *MCPS Financial Manual*, chapter 20, page 13). In the school's action plan, it was stated that sponsors would keep records of payments and tickets would be issued. We noted two admission events in which tickets were not issued. We also found that ticket sales were completed by an outside online vendor contracted by the PTSA. We recommend that procedures for the sale of tickets be reviewed with appropriate staff prior to events for compliance with the above-cited MCPS requirements.

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement **(repeat)**.
- MCPS Form 280-49A must be prepared and submitted to procurement for approval prior to the start of any work of independent contractors.
- A school must work with the operating budget staffing allocations provided.
- Payments to MCPS employees must follow MCPS payroll guidelines.
- There must be dual control in the cash receipts process and the financial specialist can only collect obligations from students. All funds collected must be remitted with a completed MCPS Form 280-34.
- Funds collected by sponsors must be promptly remitted to the school financial specialist and promptly verified, receipted, and deposited in the bank in accordance with Chapter 7 of the *MCPS Financial Manual*.
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser* which includes a fund-raiser request and a completion report **(repeat)**.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate and the school financial specialist must reconcile funds collected with account history reports.
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA. **(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 Dr. Michael J. Zarchin, director of school support and improvement, Office of School Support and Improvement, for written approval of your plan. Based on the audit recommendations, Dr. Zarchin 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:YSG:rg

Attachment

Copy to:

Members of the Board of Education

Dr. Taylor

Mrs. Alfonso-Windsor

Ms. McGuire

Dr. Moran

Mrs. Williams

Dr. Campbell

Mr. Reilly

Mrs. Chen

Mr. Klausling

Mrs. Ripoli

Dr. Zarchin

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN


Report Date: March 26th , 2025	Fiscal Year: FY25
School or Office Name: Westland Middle School - 412	Principal: Mrs. Nicole Walker
OSSI Associate Superintendent: Dr. Tamitha Campbell	OSSI Director: Dr. Michael Zarchin

Strategic Improvement Focus:
 As noted in the financial audit for the period (See Below) , strategic improvements are required in the following business processes :
 December 1st, 2022, through October 31st, 2024

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Ensure all purchase requests are approved by the principal before procurement using MCPS Form 280-54.	Principal, Financial Specialist	MCPS Financial Manual, Form 280-54	Monthly review of procurement records	Principal & Financial Specialist (Quarterly)	100% of purchases documented with prior approval
Complete and submit MCPS Form 280-49A for independent contractor payments before work begins.	Financial Specialist, Project Managers, Principal	MCPS Procurement Manual, Form 280-49A	Audit of contractor payments	Financial Specialist (Monthly)	Compliance with MCPS procurement guidelines
Work within MCPS staffing allocation guidelines for substitutes and discontinue use of IAF funds for substitutes.	Principal, Financial Specialist, PTSA	MCPS Financial Manual, Staffing Allocations Guide	Payroll and financial records	Administrative Secretary, Principal	No IAF funds used for staffing (substitutes)
Follow MCPS payroll guidelines for employee payments and stipends.	Financial Specialist, Principal	MCPS Payroll Regulations	Payroll audits, verification of pay records	Administrative Secretary, Principal	Compliance with MCPS pay rates

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Strengthen cash handling procedures: Dual control in receipts process, timely deposits, and adherence to MCPS Form 280-34.	Financial Specialist, Staff Collecting Fees	MCPS Financial Manual, Form 280-34	Internal audit of cash deposits	Financial Specialist Principal (Monthly)	Improved tracking of funds, reduced discrepancies
Implement proper and consistent fundraising procedures for sponsors, including prior approval and completion reports.	Club Sponsors, Financial Specialist	Fundraising Guidelines, Form 280-Series	Fundraising activity logs	Principal & Financial Specialist (Annually)	All fundraisers properly documented and reconciled
Maintain complete field trip records and reconcile payments using SCO system.	Trip Sponsors, Financial Specialist	SCO System, Field Trip Accounting Sheet	Reconciliation reports	Financial Specialist (Post-Trip) Principal	All trips accounted for, complete student records
Follow MCPS Regulation DMB-RA for ticketed events and ensure adherence to admissions procedures.	Financial Specialists, Event Organizers, PTSA	MCPS Regulation DMB-RA, Ticket Sales Guidelines	Event revenue records, ticket logs	Financial Specialist (After each event) Principal (After each event)	Compliance with ticketing and admission procedures

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 checked="" type="checkbox"/> Approved <input type="checkbox"/> Please revise and resubmit plan by _____	
Comments: _____	
Director: 	Date: <u>4-2-25</u>