


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 12, 2024

MEMORANDUM

To: Mr. Gregory Miller, Principal
Walt Whitman 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 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 November 18, 2024, meeting with you; Mrs. Danielle R. Fus, school business administrator; and Ms. Christina J. Bagley, school financial specialist, we reviewed the prior audit report dated March 31, 2023, and the status of the present conditions. It should be noted that your appointment as principal was effective July 1, 2024, and Ms. Bagley's assignment as school financial specialist was effective August 7, 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

MCPS sets guidelines for fees that may be charged to students. Each principal will determine, in collaboration with the school leadership, if allowable fees will be charged and set the amount of the fee at that school. Any allowable fee must be for the cost of the item and no overcharge may

be assessed to paying students. We noted that you charge seniors a graduation fee which included the cost of cap and gown and various graduation expenses. At the end of Fiscal Year (FY) 2024 the graduation account had a large balance remaining. It appears that the projected graduation costs were substantially less than originally projected. We recommend that any graduation fee charged to students be inline with expected expenses, and if any balance remains that a plan be developed and approved by the senior class on how these funds can be utilized. It was noted that the school communicated that any excess funds for senior related activities would be used for school improvement projects as agreed by the school administration and class officers.

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*). These forms must be maintained in a file accessible for audit. During our audit field work we were unable to verify payments made to employees for services because there were no forms in audit files presented. According to an approved budget for the talent show an employee was paid for services using MCPS Form 280-46 at the employee's overtime rate rather than an Extracurricular Activity (ECA) class 1 activity. According to the ECA program handbook, class 1 stipends are to be paid at a set hourly rate for no more than 100 hours per activity. We recommend that you follow the guidelines outline in the ECA program handbook.

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. MCPS Form 280-49A specifies that this form is required (in lieu of MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*) to document authorization/approval for all consultant/independent contractor services paid with IAF, regardless of the amount due for services, EXCEPT when contracting with 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. In the school's action plan, it was noted that MCPS Form 280-49A would be completed and submitted to procurement prior to service. We found that this form had not been completed for all payments 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 User's Guide*. According to the *MCPS Purchasing Card User's Guide*, each card is attached to an established funding source and must be used accordingly. Use of the purchasing card does not relieve the cardholder from complying with all MCPS regulations, the procedures in the *MCPS Procurement Manual* or the procedures in the *MCPS Financial Manual*. We found that purchases made using the MCPS purchasing card were not always appropriate and

did not always adhere to the established purchasing card funding source associated with the card type. We recommend that cardholders review the *MCPS Purchasing Card User's Guide* and procurement policies and procedures, prior to making a purchase, to determine which purchasing card type to use and if the items are not excluded from use of the purchasing card (refer to the *MCPS Purchasing Card User's Guide*, page 2).

The use of personal credit cards for large purchases is discouraged (refer to the *MCPS Financial Manual*, chapter 20, page 8). In the school's action plan, it was noted that staff that make frequent purchases will be issued purchase cards to reduce spending for necessary programs. In our sample of disbursements, we found that several staff members spent their own personal funds, usually using debit/credit cards, and were reimbursed large amounts instead of making purchases through the Business Hub or with an MCPS purchasing card. We recommend issuing MCPS purchasing cards to MCPS staff members for low dollar purchases and all large purchases be placed in the Business Hub.

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the school financial specialist. These receipts must be deposited promptly, and cash and checks must be deposited at the bank on the last working day of each month and before each weekend or holiday. In the unexpected or expected event where the school financial specialist is not in the building, the school must have a process in place to comply with the Cash Holding Authority (refer to the *MCPS Financial Manual*, chapter 7, pages 2-4). We noted that funds were held by both the sponsor and the school financial specialist and in some cases, funds were held over the weekend. To minimize the risk of loss, all funds collected must be remitted daily in accordance with MCPS policy and procedures. In the school's action plan, it was noted that staff would be reminded of procedures and asked to submit deposits by 2 p.m. daily to the school financial specialist and be deposited in the bank on a daily basis. We recommend that staff be instructed to submit cash and checks collected for IAF activities to the school financial specialist the day in which funds are collected for prompt deposit. Additionally, we recommend that the school establish a process of securing and depositing funds when the school financial specialist is not in the building.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Each fund-raiser must be approved by the principal in writing and the approval retained in the school office (refer to the *MCPS Financial Manual*, chapter 20, page 13). In the school's action plan, it was noted that all fund-raiser approval forms would be signed by the school business administrator, the school financial specialist and the principal. We found that there was a lack of adherence to these guidelines and that not all sponsors were preparing fundraiser request forms to obtain principal approval prior to the start of an activity. We recommend that all staff be reminded of the fund-raiser guidelines and complete a request form prior to the start of an activity.

Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise. Taxable merchandise includes yearbooks, school store, fundraiser items, athletic uniforms, and other items that become the personal property of the individual making the purchase (refer to the *MCPS Financial Manual*, chapter 18, page 2). In the school's action plan, it was noted the school financial specialist would track all taxable sales on a

spreadsheet that will be monitored by the school business administrator. We noted that sales tax was not calculated correctly to account for all sales activities in FY 2023 and FY 2024. We recommend that you track all taxable sales on a spreadsheet to assist in calculating the correct amount of sales tax that needs to be remitted to the State of Maryland Controller's office.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms, signed by the principal, must contain all expense information, any subsidy information, and the field trip cost to be charged per student. Sponsors of field trips must have a complete class or club roster of student names to annotate the amount each student paid by cash, check, or online, 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 financial office at the completion of each trip and reconciled to remittances recorded in the trip account history report (refer to the *MCPS Financial Manual*, chapter 20, page 10). School Cash Online (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. In the school's action plan, it was noted that the school financial specialist and business administrator would monitor accounts monthly, and work with sponsors to close-out trips timely. We found that not all field trip documentation was on file, some expenses were paid without prior approval, and not all field trips were approved by principal or designee. Additionally, we noted not all sponsors were providing completed data at the conclusion of each trip, and that data was not being reconciled by the financial office. We recommend that all trips be reviewed and approved by appropriate approvers, all required documentation be kept on file for audit, and that field trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent to provide complete data at the conclusion of each trip. This data must be reconciled by the financial office with remittances recorded in field trip activity accounts at the conclusion of the trip.

Notice of Findings and Recommendations

- Fees charged to students must be inline with associated costs.
- Payments to employees must comply with MCPS payroll guidelines.
- Disbursements to contractors that perform a service must have MCPS Form 280-49A, approved prior to service being provided (**repeat**).
- Personal funds used to make school purchases must be discouraged (**repeat**).
- Cash and checks (funds) collected by sponsors must be promptly remitted to the school financial specialist and in turn deposited timely (**repeat**).
- Purchasing card use must comply with MCPS Purchasing Card Users Guide, MCPS regulations, *MCPS Procurement Manual*, and procedures in the *MCPS Financial Manual* (**repeat**).
- Fund-raisers must be approved by the principal prior to advertising or conducting the activity (**repeat**).
- Sales tax must be collected on taxable sales, calculated accurately and remitted to the Comptroller of Maryland (**repeat**).

- Field trips must be approved by principal or designee, sponsors must provide comprehensive data to account for all students eligible to participate and the financial specialist must reconcile funds collected with account history report (**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 Mrs. Jewel A. Sanders, director of school support and improvement, Office of School Support and Improvement, for written approval of your plan. Based on the audit recommendations, Mrs. Sanders will indicate whether she will conduct an electronic review of your action plan or schedule a time to meet in person with you, your school business administrator and school financial specialist to support you with developing a well-defined plan to address the findings.

MJB:LMB:rg

Attachment

Copy to:

Members of the Board of Education
Dr. Taylor
Ms. Alfonso-Windsor
Ms. McGuire
Dr. Moran
Mrs. Williams
Dr. Redmond Jones
Mr. Reilly
Mrs. Chen
Mr. Klausling
Mrs. Ripoli
Mrs. Sanders
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

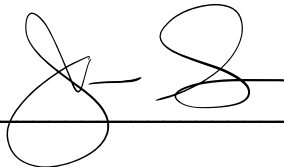
Report Date: December 2024	Fiscal Year: FY25
School or Office Name: Walt Whitman High School	Principal: Gregory Miller
OSSI Associate Superintendent: Dr. Donna Redmond Jones	OSSI Director: Jewel Sanders

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools/Data Points	Monitoring Who & When	Results/Evidence
Fees charged to students must be inline with associated costs.	SBA, SFS	Budgets	Submitted budget approvals to the county will be kept with fee information.	Budgets for fees will be created with the most accurate numbers available from the county.	Overages for fees will be inline with acceptable percentages. Remain account balances will be used in line with donation requests.
Payments to employees must comply with MCPS payroll guidelines.	Principal, Administrative Sec	List of ECA Stipends, ECA 1 hours	Over the summer, the principal will conduct an internal audit of all ECA Stipends.	Principal will have a conversation with affected staff regarding funding allocation and need.	ECA 1 and ECA 3 stipends will be correctly allocated in FY26.
Disbursements to contractors that perform a service must have MCPS Form 280-49A approved prior to service being provided.	SFS, SBA, Principal	Operations Team will review upcoming events weekly and determine the need for vendor approval.	Weekly Operations Team meetings. Regular SBA-Principal meetings to process documentation.	Weekly/monthly	All vendors paid through the IAF will receive approval from MCPS Procurement with necessary documents save/filed for auditing purposes.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools/Data Points	Monitoring Who & When	Results/Evidence
Personal funds used to make school purchases must be discouraged.	Principal, SBA	P-Cards will be provided to staff who regularly purchase for school accounts.	Review of staff who are regularly reimbursed for school related purchases.	Monthly review of checks	Minimal personal spending for reimbursement on necessary items.
Cash and checks (funds) collected by sponsors must be promptly remitted to the school financial specialist and in turn deposited timely.	SBA, SFS Sponsors, ECA Coordinator	Deposits, Deposit slips	Staff will be reminded of procedures via email/Canvas by SFS and ECA coordinator to ensure deposits are brought to SFS by 2:30pm. Any deposits made after 2:30pm must be secured in the safe until retrieved the next day. SFS will write when a deposit is collected from the safe. School Financial Specialist will train School Business Administrator on the school's depositing process to ensure funds are not left in the school overnight or over the weekend.	Daily; Sponsors, SBA, SFS	Club sponsors will bring deposits to SFS daily and are securely deposited to the bank every school day.
Purchasing card use must comply with MCPS Purchasing Card Users Guide, MCPS regulation, <i>MCPS Procurement Manual</i> , and	SBA, Principal P-Card holders	MCPS Purchasing Card User's Guide	P-card holders will be reminded at the beginning of the school year of appropriate purchases with 03 and 05 funds.	Monthly Landscape reports SBA, Principal	Funds will be correctly allocated and expended.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools/Data Points	Monitoring Who & When	Results/Evidence
<p>procedures in the <i>MCPS Financial Manual</i>.</p>					
<p>Fund-raisers must be approved by the principal prior to advertising or conducting the activity.</p>	<p>SFS, SBA, Principal</p>	<p>MCPS Fundraiser form</p>	<p>Prior to annual Clubs Night, the administrator/ECA Coordinator will share sponsor responsibilities along with SFS/SBA at a staff meeting.</p> <p>Sponsors will be held accountable for monitoring the financial activities of their clubs.</p> <p>Annual fundraiser forms will be filled out at the beginning of the year with appropriate sponsors.</p> <p>Fundraiser planning forms will be shared with staff during pre-service and in the Financial Classroom.</p> <p>MCPS approval form will be included in the Financial Classroom.</p>	<p>Continuous monitoring by SBA, SFS, and Principal</p>	<p>Pre-approval of fundraisers will be signed by SBA and Principal before flyers, SCO, or announcements are shared with the community.</p>
<p>Sales tax must be collected on taxable sales, calculated</p>	<p>SFS, SBA</p>	<p>Spreadsheet for record of taxable sales</p>	<p>SFS will track all taxable sales on the spreadsheet.</p>	<p>SBA, Principal</p>	<p>Spreadsheet will be kept up to date with an accurate record of</p>

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools/Data Points	Monitoring Who & When	Results/Evidence
accurately and remitted to the Comptroller of Maryland.			SBA will monitor that SFS completes taxable sales on the spreadsheet.		taxes for review.
Field trips must be approved by principal or designee, sponsors must provide comprehensive data to account for all students eligible to participate and financial specialist must reconcile funds collected with account history reports.	SFS, SBA	Field Trip close-out form, Attachment report	SFS will send Outlook Calendar invites to remind staff to properly close out Field Trips once the trip is complete and bills have been paid.	SFS, SBA will monitor monthly	Field Trips will be closed out with necessary materials.

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and submit plan by: _____
Comments:	
Director: 	Date: 01/15/2025