

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

January 26, 2024

MEMORANDUM

To: Mr. James K. Allrich, Principal
Argyle Middle School

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



Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2022, through October 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 January 17, 2024, meeting with you and Mr. Timothy W. Magruder, school financial specialist, we reviewed the prior audit report dated June 2, 2022, and the status of the present conditions. 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. Invoices for goods or services must be signed by the purchaser to

indicate satisfactory receipt. The school financial specialist will then mark the documentation as “paid” prior to disbursing the funds. In our sample of disbursements, we found instances in which purchases were not pre-approved, supporting documentation for purchases was not always stamped or marked “paid”, and invoices and online purchase confirmations were not all signed by the receiver to indicate goods or services were received, and that payment could be processed. 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 all support documents be marked “paid”, the purchase be verified as complete by the recipient, and that the invoice/packing slip be marked “received” and signed/dated by the recipient when goods are received at the school. Requiring invoices to be marked “received” ensures that goods or services have been satisfactorily received prior to payment.

The MCPS Purchasing Card Program streamlines the process for making low-dollar purchases that are necessary for MCPS operations. 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 *MCPS Financial Manual*. An example of items excluded from the Purchasing Card Program include disbursements for the purchase of furniture. In the review of your purchase card transactions, we found that you purchased furniture items using the Purchase Card Program. It is recommended that you follow the guidelines outlined in the procurement manual on allowable purchases (refer to the *Purchasing Card User’s Guide*, page 2).

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods and services prior to disbursement, and receipts must be annotated as paid to indicate disbursement was made.
- Items purchased using the P-Card must comply with the MCPS *Purchasing Card User’s Guide*.

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. Gregory C. Mullenholz, director 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. Mullenholz 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:ABB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Dr. Collins

Mr. Hull

Dr. Kimball

Mrs. Williams

Ms. Dempsey

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mr. Mullenholz

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 01-26-24	Fiscal Year: 2024
School or Office Name: Argyle Middle School	Principal: James K. Allrich
OSSWB Associate Superintendent: Lancellotti Dempsey	OSSWB Director: Greg Mullenholz
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>3-1-22 10-31-23</u>, strategic improvements are required in the following business processes :</p> <p>Purchase requests, confirmation of receipts marking as paid, P-Card purchases must comply.</p>	


Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Emphasize to staff at pre-service and at the beginning of the second semester about the importance of financial rules, especially that all purchases require PRIOR written approval before purchase can be made	Timothy Magruder, Financial Specialist	280-54 for approval Power point to share with staff	Completed 280-54 prior to purchase	Principal will monitor when signing 280-54 and when signing reimbursement check, check dates	Reimbursements will only be granted for items that have prior approval.
Once 280-54 has been approved and items ordered and delivered. Check in and make sure what was ordered was delivered and stamp receipt RECEIVED and when making payment mark PAID	Timothy Magruder, Financial Specialist	280-54 to review what was ordered, "RECEIVED and PAID" stamps	Periodically review to make sure items are being received and paid correctly.	Principal, periodically as part of the financial check-in meeting	Spot check 280-54's to make sure they have been stamped RECEIVED and/or PAID.
Take refresher P-Card course and make sure to only make authorized purchases.	Timothy Magruder, Financial Specialist	P-Card Refresher course	JP Morgan Website	Principal will review purchases online before approving.	Principal approval on JP Morgan website, indicates he reviewed and agrees that the purchases are within guidelines.

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OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved
 Please revise and resubmit plan by _____

Comments:

Director: 

Date: 2/22/24