


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

September 1, 2023

MEMORANDUM

To: Mrs. Renay C. Johnson, Principal
Montgomery Blair High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2021, through June 30, 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 August 15, 2023, meeting with you; Ms. Donna M. Franklin, school financial specialist; and Mr. Sean P. McGee, director of school support and well-being, we reviewed the prior audit report dated July 6, 2021, and the status of present conditions. It should be noted that 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 internal audit unit worked with the school administration and financial agents all of Fiscal Year (FY) 2022 to help them tighten their internal controls.

It should also be noted that the principal was out on medical leave at various times during FY23 for a total of six months. You also have a newly assigned school business administrator as of July 24, 2023, due to the passing of your prior school business administrator. 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 and date on MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, or a budget prepared by the sponsor of a school activity. The budget 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 a fiscal year. The sponsor cannot exceed the total amount of approved expenditure in each line item of the approved budget without receiving prior written approval from 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 your action plan, you indicated that all purchases over \$100 would be pre-approved. 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. We also noted some line items on budgets had been overspent and no pre-approval had been given for these additional expenditures. We recommend that your athletic specialist and activity sponsors prepare a detailed budget each year and that the approved budget is monitored and revised when needed. We also recommend that the sponsor, financial agent, and principal, sign and date the budgets when reviewing.

Independent contractors or consultants working in schools must comply with all laws and MCPS requirements outlined 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 your action plan, you indicated that prior approval would be obtained using MCPS Form 280-49A. We found that this form had not been completed for all payments to independent contractors during our audit period. We recommend that the financial agent initiate MCPS Form 280-49A to document the authorization and approval to pay a consultant/independent contractor with IAF. We further recommend that if the 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 (refer to the *MCPS Financial Manual*, chapter 15, page 2).

Cash and checks collected by sponsors and other authorized individuals for IAF activities must be remitted promptly to the school financial specialist. 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). In your action plan, you indicated that deposits would be received daily and verified, and that bank deposits would be made

each day. In our sample of deposits, we found instances in which staff collecting funds were holding funds rather than remitting them daily to the financial specialist. We also noted that the funds collected were not always deposited promptly, and at times exceeded the cash holding threshold. To minimize the risk of loss or theft and provide availability of funds to meet school needs, all funds collected must be remitted to the financial specialist daily for a prompt deposit (refer to *MCPS Financial Manual*, chapter 7, page 4). In addition, all remittances on hand must be deposited before each weekend, holiday, and the last day of the month.

Fundraising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund-raiser*. Each fundraiser must be approved by the principal in writing and the approval retained in the finance office. Financial activities for each fundraising activity must 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). In your action plan, you indicated that the revised fundraising workflow and processes would be fully implemented. We found that there was a lack of adherence to these guidelines. We noted that the fundraiser requests were not always approved and the completion report, along with the inventory analysis for leftover items, were not prepared and submitted to the finance office. There was no explanation as to why an activity incurred a loss. One fundraiser activity was approved without a date to determine if the activity was approved prior to collecting funds or ordering products for the activity. We recommend following these internal control procedures to provide accountability for funds raised as well as the opportunity to evaluate the results after the event.

All field trips must be pre-approved by the principal. 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 financial specialist after each trip and compared to remittances recorded in the trip account history report (refer to the *MCPS Financial Manual*, chapter 20, page 10). In your action plan, you indicated that all field trips would have complete and accurate documentation. We found that field trip fees were not always being remitted promptly, the data was not being reconciled to the final account history report, and not all sponsors remitted a final field trip accounting. We also noted that one field trip request was not approved by the principal. We recommend that trip sponsors be required to provide complete data at the conclusion of each trip, and this data be reconciled by the financial agent with remittances recorded in activity accounts. The use of School Cash Online will greatly improve the ability to reconcile all field trips and track which students paid, were waived or did not attend.

Notice of Findings and Recommendations

- Purchase requests must be preapproved by the principal prior to procurement (**repeat**).
- Approved budgets must be monitored and preapprovals must be received prior to overspending line items.
- Independent contractor payments must comply with MCPS procurement requirements (**repeat**).

- Funds collected by sponsors must be promptly remitted to the financial specialist (**repeat**).
- Funds remitted by sponsors must be promptly verified, receipted, and deposited in the bank in accordance with Chapter 7 of the *MCPS Financial Manual* (**repeat**).
- Fundraising must conform to the *Guidelines for Sponsoring an IAF Fund-Raiser* (**repeat**).
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate and school financial specialist must reconcile funds collected with account history reports (**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. Sean P. McGee, 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. McGee 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:BK:rlg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. Hull

Dr. Murphy

Ms. Morris

Mr. Stockton

Mrs. Williams

Dr. Moran

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mr. McGee

Mrs. Ripoli


Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 22/23	Fiscal Year: 22/23
School: Montgomery Blair HS - 757	Principal: Renay Johnson
OTLS Associate Superintendent:	OTLS Director: Sean McGee
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>3/1 - 6/30, 2023</u>, strategic improvements are required in the following business processes :</p> <p>Staff Allocations, Purchases not pre-approved, Receipts, Sales Tax, Field Trips and Fundraisers</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Staff Allocations were overspent: SBA and SFS will monitor spending on a weekly basis. If overspending of funds is necessary, will submit form.	Andrew Fields Donna Franklin Renay Johnson		SFS and SBA to review account records and meet with Principal on a weekly basis.	Donna Franklin Andrew Fields	All accounts monitored and properly documented
Purchases (280-54 and 280-49) were not pre-approved and Authorization for Consultant was not completed. We will ensure staff understands the procedures for purchase, and outside vendors are pre-authorized.	Andrew Fields Donna Franklin	Form 280-54 Form 280-49 Outlook	1 Weekly meeting to review purchases 2 Consistent Reminder to staff re: purchase procedure	Donna Franklin Andrew Fields Weekly	Purchasers have a firm understanding of purchase protocols.
Purchase card use does not comply with MCPS Purchasing Card user's guide. SBA will create simple process for all cardholders, based on MCPS protocols, to be enforced on a monthly basis.	Andrew Fields	Purchasing Card User's Guide Outlook	SBA is working on a process for all cardholders to refer to. Monthly reconciliation of Cards.	Andrew Fields Donna Franklin	Card activity complies with MCPS guidelines; Card documentation submitted monthly and on time.
Receipt funds held overnight and not deposited promptly. Documentaiton will be streamlined for deposits, including night deposits.	Donna Franklin	Outlook	Process is created to allow immediate and time-sensitive response to deposits.	Andrew Fields Donna Franklin	Deposits are received daily, documented, and verified. Documented Bank deposits made each day.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Accounting Process for Sales Tax is not being followed. Funds will be transferred to a tax account within 48 hours of receipt.	Andrew Fields Donna Franklin	MCPS Accounting Process for Sales Tax	SBA and SFS will determine MCPS procedure for sales tax and follow it.	Andrew Fields Donna Franklin	Sales Tax transferred using MCPS protocols and within 48 hours of transaction.
FT and Fundraiser approvals and reconciliation were not completed. This process has been streamlined into a 5-step process and multi-communication between Field Trip Sponsor, SBA, SFS, and Principal. Additionally, a scheduling team, including Athletic Director, Building Serv	Andrew Fields Donna Franklin	Scheduling Team, Google Doc Form	Weekly meetings to update, monitor, and approve field trips.	Andrew Fields Donna Franklin Weekly	Checks and balances every Monday regarding Field Trips.
Athletic budge was over spent without revising the budget. SFS and AS will enter and revise athletic budget in SFO.	Andrew Fields Donna Franklin Rita Boule	SFO	Monthly meetings to determine need for revising budget, if necessary.	Andrew Fields Donna Franklin Weekly	Athletic Budget stays within prescribed limits, and is revised as needed.

OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____	
Director: _____ 	Date: <u>10/26/23</u>