

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

August 30, 2024

MEMORANDUM

To: Ms. Anita R. O'Neill, Principal
Clarksburg High School

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



Subject: Report on Audit of Independent Activity Funds for the Period
February 1, 2023, through April 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 August 20, 2024, meeting with you; Mr. William P. Bazemore, school business administrator; and Ms. Elisa M. Haddad, school financial specialist, we reviewed the prior audit report dated April 27, 2023, and the status of the present conditions. It should be noted that your appointment as principal was effective January 2, 2024, and the assignment of Ms. Haddad was effective July 5, 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

Transfers of funds between general ledger accounts may be made only after MCPS Form 281-46, *Independent Activity Funds – Transfer*, has been executed by both the account sponsor and the principal. Transfers must be fully documented and adhere to MCPS guidelines for allowable uses

of funds. We found that descriptions used on transfers did not convey the nature of the fund's movement. To improve internal controls, the school financial specialist must enter clear transfer descriptions in order to convey to the sponsors what was transferred in and out of their account (refer to the *MCPS Financial Manual*, chapter 20, page 12).

Payment to MCPS for items processed through iPayments must be made timely. We found that the school was not paying their MCPS invoices in a timely manner and as of August 21, 2024, there were seven unpaid invoices totaling \$5,843.15 and many dated back to June 2021. As a function of fiscal responsibility, it is important to process payments to vendors on a timely basis, which includes MCPS. This improves overall decision making related to the analysis of School Funds Online (SFO) accounts with up-to-date expenditure information. It is recommended that MCPS payments be made timely and if there are any discrepancies they should be rectified immediately. We also recommend that the Customer Statement Report be printed monthly as part of the monthly reporting process so the principal is aware of the status of payables to MCPS.

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 controls over purchases were weakened including incidents where documentation was not adequate to assure the school benefited from the purchase and documentation supporting purchases were not stamped or marked "paid". We recommend that all supporting documents be marked paid and contain adequate information to support the purchase.

In accordance with MCPS Regulation DIA-RB, *Payments for Services and Reimbursements for Expenses from School Independent Activity Funds*, payments to MCPS employees must be processed through the MCPS payroll system to ensure compliance with federal tax requirements regarding the reporting of income and the withholding of taxes. We found instances in which three MCPS employee were paid directly from the IAF for Summer Supplemental Employment hours. We recommend following the payroll procedures published by the Employee and Retiree Service Center, and also in the future using MCPS Form 280-46, *Independent Activity Funds Request for Payment to MCPS Employees for Services (Work) Performed* for work that an MCPS employee performs outside of the employee's regular duty day. All hours worked must be paid at the appropriate rate and hours must be documented.

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 the IAF. We found that MCPS Form 280-49A had not been completed for all payments to independent contractors during our audit period. In addition, we noted that vendors

that came into the building were making modifications to the building but MCPS Form 230-27, *Facility Project Request Form*, had not been completed and processed in the Asset Essential System. In the school's action plan, they indicated that Form 280-49A would be approved prior to any contractor performing a service. 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). We also recommend that MCPS Form 230-27 be completed and approved prior to contracting work with the vendor.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card User's Guide*. By the fifth business day of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements must be printed and provided to the principal or delegated reviewer, with all purchase receipts and invoices attached. The principal or reviewer must review each cardholder's transactions and approve them by the 10th of the following month, using the online reconciliation program. We found that cardholders had not promptly reviewed their transactions in the online reconciliation program and not all transactions had been approved online. We also found that cardholders did not always include the IAF account number, staff or students, or detailed description of what was purchased. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Schools are required to use School Funds Online two-part pre-numbered receipt forms. Receipts shall be issued in a strict numerical sequence on pre-numbered receipt stock. Funds remitted to the school financial specialist by the sponsors should be jointly counted and the school financial specialist shall complete a pre-numbered receipt, retain the office copy for the financial file and give the remitter the original completed receipt. This important control establishes documentary evidence for both parties that provides a written record of the source of funds and the amount of funds for accounting purposes. We found that the school financial specialist is not providing sponsors/remitters with the printed original one-part receipt. In the school's action plan, they noted that a copy of the receipt would be provided to the sponsor. We recommend that the school financial specialist provide each remitter the one-part receipt daily as funds are recorded in the accounting system to establish documentary evidence of the fund remitted (refer to the *MCPS Financial Manual*, chapter 7, page 4).

Notice of Findings and Recommendations

- Transfers between accounts must contain adequate descriptions.
- Outstanding MCPS invoices must be paid timely.
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made and documentation must be adequate to support disbursements.
- Payments to MCPS employees must be processed through the MCPS payroll system.
- Disbursements to contractors that perform a service must have MCPS Form 280-49A *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF)* approved prior to service being provided (**repeat**).

- Purchase cardholders must review transactions timely and purchase card transactions must be approved by the 10th of the following month, and include all necessary information.
- Financial specialist shall complete a two-part pre-numbered receipt and give the remitter the original receipt for their records and retain office copy for files (**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. Christophe Turk, director of school support and improvement, Office of School Support and Improvement, for written approval of your plan. Based on the audit recommendations, he 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 business administrator 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. Taylor
Ms. Alfonso Windsor
Ms. Dempsey
Ms. McGuire
Dr. Moran
Mrs. Williams
Mr. McGee
Mr. Reilly
Mrs. Chen
Mr. Klausung
Mrs. Ripoli
Mr. Turk
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: September 30, 2024	Fiscal Year: 2023/24
School or Office Name: Clarksburg High School	Principal: Ms. Anita O'Neill
OSSI Associate Superintendent: Mr. Sean McGee	OSSI Director: Mr. Christophe Turk
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>2/2034 - 4/2024</u>, strategic improvements are required in the following business processes : account transfer descriptions, MCPS invoices, employee payments processed via MCPS payroll, Form 280-49A for contractors, and review of cardholder transactions.</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
School business administrator and School financial specialist to ensure that account transfers provide adequate descriptions.	SBA/SFS	MCPS Financial Manual	SBA will review all account transfers to ensure detailed information is provided.	SBA/SFS as account transfers are processed; followed by monthly review	Account transfers include detailed information
Outstanding invoices are paid timely.	SFS	MCPS Financial HUB/iPayments	SFS will generate monthly reports to determine outstanding invoices	SFS - monthly	SFS will ensure that invoices due not exceed 30 days past due. iPayment statements paid timely
Purchase invoices and receipts are annotated as paid to indicate disbursement was made and documentation must be included to support disbursements.	SFS	N/A	SFS will ensure that invoices are stamped as paid	SFS - monitoring to occur as invoices are paid	Invoices are documented as paid and receipts are attached to invoices as proof of payment
School business administrator to ensure that payments to employees are processed through the MCPS payroll.	SBA	Form 280-46	SBA to ensure that employee payment requests are processed by ERSC via Form 280-46	SBA - as employee payment requests are received	Employee payment requests are documented; files include Form 280-46

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
MCPS Form 280-49A is approved prior to any contractor performing a service.	Athletic Director/School Business Administrator - as applicable	Form 280-49A	Form 280-49A is completed prior to any contractor performing a service at the school.	SBA as contractors are requested to perform work/provide services	Financial files include a copy of Form 280-49A and form indicates proper approval before any work performed by the contractor
Purchase cardholders must review transactions timely and purchase card transactions must be approved by the 10th of the following month, and include all necessary information.	Purchase cardholders	JP Morgan PaymentNet	SBA/SFS to ensure that transactions are approved timely.	All Purchase cardholders; SBA/SFS to review transactions and follow-up as needed	Cardholder transactions are approved timely and supporting documentation is provided for transactions
School financial specialist to provide sponsors with a receipt for funds remitted to the Business Office.	SFS	SchoolCash Online	School financial specialist provides the sponsor with a receipt for funds remitted to the Business Office	SFS/SBA as funds are remitted to the Business Office	Financial files include the original copy of the receipt for funds remitted to the Business Office

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: 10-3-24