


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

January 30, 2023

MEMORANDUM

To: Dr. Carole E. Rawlison, Principal  
Harmony Hills Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
December 1, 2019, through November 30, 2022

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 10, 2023, meeting with you; Mrs. Marlene J. Pineda, school administrative secretary (secretary), and Mrs. Pamela K. Dunn, visiting bookkeeper, we reviewed the prior audit report dated January 28, 2020, 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**

The MCPS Well Aware Wellness initiatives program provides incentives to help staff reduce their health insurance costs, encourages staff to participate in wellness challenges, and compete with fellow staff members. Participants join teams and record their activity online, and winning teams receive grant funds from MCPS that can be used for physical education equipment or to promote staff wellness. We found that the funds awarded to your school were used to purchase Amazon gift cards and distributed to the staff who participated in the program. Prohibited disbursements of

IAF funds include the purchase of gift cards for MCPS employees, unless the funds used for purchase are derived solely from staff contributions and disbursed from a staff owned account. As explained in IRS Publication 17, a gift card given to an employee is considered as extra salary or wages regardless of the amount involved and is, therefore, taxable (refer to the *MCPS Financial Manual*, chapter 20, page 7). We recommend that all grant award funds be used to promote health and wellness for staff and students, or to purchase physical education equipment.

### **Notice of Findings and Recommendations**

- Wellness award funds can only be use for physical education equipment or to promote staff and or student wellness.

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. Michelle E. Schultze, acting director of school support and well-being, Office of Student Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Mrs. Schultze will indicate whether she will conduct an electronic review of your action plan or schedule a time to meet in person with you and your secretary to support you with developing a well-defined plan to address the findings.

MJB:BK:rg

Attachment

Copy to:

Members of the Board of Education  
Dr. McKnight  
Mr. Hull  
Dr. Murphy  
Ms. Reuben  
Mr. Stockton  
Mrs. Williams  
Dr. Moran  
Mr. Reilly  
Mrs. Chen  
Ms. Eader  
Mr. Klausung  
Mrs. Ripoli  
Mrs. Schultze  
Ms. Webb

**FINANCIAL MANAGEMENT ACTION PLAN**

<b>Report Date:</b>	<b>Fiscal Year:</b>
<b>School:</b>	<b>Principal:</b>
<b>OSSWB Associate Superintendent:</b>	<b>OSSWB Director:</b>
<p><b><u>Strategic Improvement Focus:</u></b>          As noted in the financial audit for the period _____, strategic improvements are required in the following business processes :</p>	

<b>Action Steps</b>	<b>Person(s) Responsible</b>	<b>Resources Needed</b>	<b>Monitoring Tools / Data Points</b>	<b>Monitoring: Who &amp; When</b>	<b>Results/Evidence</b>

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 type="checkbox"/> <b>Approved</b>	<input type="checkbox"/> <b>Please revise and resubmit plan by</b> _____
Comments: _____ _____	
Director: <u>Michelle E. Schultze</u>	Date: _____