


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

January 29, 2024

MEMORANDUM

To: Dr. Yong M. Kim, Principal
Herbert Hoover Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
June 1, 2022, through November 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 January 11, 2024, meeting with you and Mrs. Martha L. Ballon, the school financial specialist, we reviewed the prior audit report dated July 20, 2022, and the status of the present conditions. It should be noted that the assignment of your financial specialist was effective July 1, 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

School Financial Training (SFT) Part I, is required for principals within their first year of assignment. Refresher training is recommended every three years because policies, regulations, procedures, and technology applications are continuously updated (refer to the *MCPS Financial Manual*, chapter 1, page 9). We noted that you have not taken SFT Part I since 2018. We recommended that you immediately sign up to take SFT Part I.

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. Any goods or services procured from an MCPS employee, or from a business entity with an employee who has ownership in the business requires the principal to obtain prior written authorization from the Board of Education ethics officer (refer to the *MCPS Financial Manual*, chapter 20, page 6). We found instances in which an MCPS employee was paid directly from the IAF for building stage boxes for the drama club. If the ethics officer approves the business entity, MCPS Form 280-49A, *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (AF)*, would be used to establish the employee as an independent contractor. As an independent contractor, payroll taxes would not need to be paid lowering the cost for services purchased. We recommend following the payroll procedures published by the Employee and Retiree Service Center, and also acquiring the ethics officer's approval to do business with the employee prior to any future payments for services.

The use of personal credit cards for large purchases is discouraged (refer to the *MCPS Financial Manual*, chapter 20, page 8). In our sample of disbursements, we found that several staff and non-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 small purchases and all large purchases be placed in the Business Hub.

Notice of Findings and Recommendations

- Attend school finance training once every three years.
- Employees must be approved by the MCPS ethics officer in order to do business with the school and be paid through the payroll system.
- Personal funds or credit cards used to make school purchases must be discouraged.

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 Dr. Tamitha E. Campbell, 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, Dr. Campbell 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 school financial specialist 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

Dr. Collins

Mr. Hull

Dr. Kimball

Mrs. Williams

Dr. Moran

Mr. Reilly

Mrs. Chen

Dr. Campbell

Ms. Eader

Mr. Klausing

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: January 29, 2024	Fiscal Year: 2023-2024
School or Office Name: Herbert Hoover Middle School	Principal: Dr. Yong-Mi Kim
OSSWB Associate Superintendent: Dr. Peter Moran	OSSWB Director: Dr. Tamitha E. Campbell
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>06/01/22-11/30/2</u>, strategic improvements are required in the following business processes :</p>	

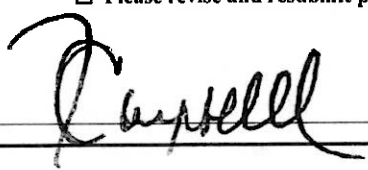
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Attend school finance training once every three years	Principal			Registered for refresher class in February	Principal attended refresher finance class in February
Employees must be approved by MCPS ethics officer in order to do business with the school and be paid through the payroll system	School Financial Specialist (SFS)		Appropriate process will be followed when having MCPS employees do business with the school	SFS - Ongoing	SFS will ensure process is followed when having MCPS employees do business with the school
Personal funds or credit cards used to make school purchases must be discouraged	School Financial Specialist and Principal		Staff have been asked not to use personal funds or credit cards to make school purchases	SFS - Ongoing	Ongoing conversations with staff (ILT Meetings/Pre-Service)

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: 2/26/24