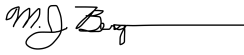


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

June 02, 2021

MEMORANDUM

To: Mrs. Dyan L. Harrison, Principal  
Kingsview Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
December 1, 2019, through April 30, 2021

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 May 24, 2021, meeting with you and Mrs. Elisabeth Gross, school financial specialist (financial specialist), we reviewed the prior audit report dated December 31, 2019, and the status of 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. In our sample of disbursements, we found instances in which MCPS Form 280-54 was not signed by the principal prior to procurement and documentation was not annotated by the recipient to indicate purchased goods or services were satisfactorily received. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF activities. We recommend that MCPS Form 280-54 be prepared by staff and signed by the principal or designee at the time verbal approval is sought, and that invoices/packing slips be marked “received”, signed, and dated by the receiver once merchandise has been satisfactorily received.

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 IAF. We found that this form had not been completed for all payments to independent contractors during our audit period. We recommend 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).

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*. Some examples of items excluded from the Purchasing Card Program include disbursements that are primarily for the benefit of MCPS staff (e.g., gifts, retirement functions, or other staff social activities), and gift cards. In the review of your purchase card transactions, we found that you purchased gift cards for staff 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).

Sixth-grade students at each middle school in MCPS participate in a three-day, two-night residential outdoor environmental education program (OEEP) for which they are assessed a fee to reimburse MCPS for personal expenses associated with the program. The student cost for OEEP is \$76. In addition to the cost for OEEP, schools are allowed to charge an activity fee for extra items or activities such as t-shirts, snacks, etc. We found that the school charged students \$15 for items and activities, but only spent about 57% of what was collected. Fees assessed to students must be set as nearly as possible to only offset the costs incurred by MCPS for items (refer to the *MCPS Financial Manual*, chapter 20, page 2). We recommend that you review the cost of your activity fee to ensure established fees are commensurate with the cost of expenses.

#### Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Independent contractor payments must comply with MCPS procurement requirements.
- Gift cards may not be purchased using the MCPS purchasing card.

- OEEP activity fees must be reviewed to ensure they are commensurate with trip expenses.

Other matters were discussed and satisfactorily resolved. We appreciate the cooperation and assistance of your staff. In accordance with MCPS Regulation DIA-RA, 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 Ms. Nicole A. Sosik, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Ms. Sosik 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:YSG:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mrs. Ferrell

Dr. Wilson

Mrs. Williams

Mr. Koutsos

Mrs. Chen

Mr. Klausling

Mr. Marella

Ms. Sosik

Mr. Tallur

Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> June 02, 2021	<b>Fiscal Year:</b> June 02, 2021
<b>School:</b> Kingsview MS - 708	<b>Principal:</b> Mrs. Dyan L. Harrison
<b>OTLS Associate Superintendent:</b> James Koutsos	<b>OTLS Director:</b> Nicole Sosik
<p><b><u>Strategic Improvement Focus:</u></b>          As noted in the financial audit for the period <u>12/1/19-04/30/21</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
MCPS Form 280-54- All purchases will be approved by Principal prior to procurement. Purchasers will fill out form 280-54 fully to explain purpose of disbursement. This procedure will be presented to all staff during pre-service.	SFS, Purchaser and Principal	None	Form 280-54	SFS and Principal as necessary	
Purchaser will confirm receipt of all goods and services by marking packing slips "received", signed and dated. This procedure will be presented to all staff during pre-service.	SFS, Purchaser and Principal	None	Invoices and Receipts	SFS and Principal as necessary	
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.	SFS and Account sponsors	Form 280-49A IAF manual Chapter 15, page 2	Submit form to Procurement	SFS, sponsors, and Principal	
MCPS Purchasing card- IAF Purchasing card will not be used to purchase staff gifts and gift cards in accordance with the MCPS purchasing Card User's Guide	SFS is the only card holder	None	Weekly meetings with SFS and Principal	SFS and Principal Monthly	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
OEEP activity fees- Activity fees will be reviewed to offset the costs incurred; including T-shirts, snacks, speakers and presenters.	SFS , OEEP Coordinators and Principal	None	Meeting with OEEP sponsors prior to sending flyers out	SFS, OEEP Sponsors, and Principal	

OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> <b>Approved</b>	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: .	
Director: <u>          <i>Nicole Sosik</i>          </u>	Date: <u>  6/28/2021  </u>