


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

May 23, 2023

MEMORANDUM

To: Dr. Leroy C. Evans, Principal  
Col. Zadok Magruder High School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
April 1, 2022, through March 31, 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 May 10, 2023, meeting with you; Ms. Nicole M. Kimball, school business administrator; and Ms. Helen Hallas, school financial specialist, we reviewed the prior audit report dated June 3, 2022, and the status of the present conditions. It should be noted that Ms. Hallas' assignment as school financial specialist was effective November 3, 2022. 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 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 each expenditure outlined in the approved budget without receiving prior written approval of 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 addition, invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt, and disbursements made by Automated Clearing House (ACH) for the payment of MCPS invoices are required to be approved by the principal using MCPS Form 280-54 (refer to the *MCPS Financial Manual*, chapter 20, page 6). In your action plan, you indicated that all purchase requests would be approved by you using MCPS Form 280-54 for MCPS i-Payments. In review of purchases, we noted that some line items on the athletic budget had been overspent and no pre-approval had been given for these additional expenditures. For a disbursement that utilizes a budget as pre-approval, the financial agent is responsible for comparing all disbursements to the budget document to ensure that it conforms to what the principal has approved. We recommend that your athletic specialist prepare a detailed budget each year and that all approved budgets be monitored and revised when needed (refer to the *MCPS Financial Manual*, chapter 20, page 5). We also recommend that all MCPS iPayments be reviewed and approved by the principal using MCPS Form 280-54, that the purchase be verified as complete by the recipient, and that the invoice/packing slip be marked "received" and signed/dated by the recipient when goods are received at the school. Requiring invoices to be marked "received" ensures that goods or services have been satisfactorily received prior to payment.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card Users 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, or the statement of account landscape report, must be printed and provided to the approver, with all purchase receipts and invoices attached. The approver must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. In your action plan, you indicated that all transactions would be reviewed and approved using the online reconciliation program. We found that approvers had not always approved all transactions online, and some cardholders had not reviewed all transactions in a timely manner. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

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

- Budgets must be prepared, approved, and monitored to compare income and expense projections to actual results.

- MCPS iPayments must be approved by the principal using MCPS Form 280-54 prior to disbursement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Approver must approve purchasing card transactions using the online reconciliation program (**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. Greg C. Mullenholz, 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, Mr. Mullenholz 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:HT:rg

Attachment

Copy to:

Members of the Board of Education  
Dr. McKnight  
Mr. Hull  
Dr. Murphy  
Ms. Reuben  
Mr. Stockton  
Mrs. Williams  
Ms. Webb

Dr. Redmond Jones  
Mr. Reilly  
Mrs. Chen  
Ms. Eader  
Mr. Klausling  
Mr. Mullenholz  
Mrs. Ripoli

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> May 23, 2023	<b>Fiscal Year:</b> May 23, 2023
<b>School:</b> Col. Zadok Magruder HS - 510	<b>Principal:</b> Dr. Leroy C. Evans
<b>OSSWB Associate Superintendent:</b> Dr. Donna Redmond Jones	<b>OSSWB Director:</b> Mr. Gregory Mullenholz

**Strategic Improvement Focus:**

As noted in the financial audit for the period 4/1/22-3/31/23, strategic improvements are required in the following business processes :  
 budget adherence, pre-approval of ipayments using 280-54, approval of pcard transactions, and purchasers confirming receipt of goods prior to disbursement.


Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
MCPS Ipayments will be approved by principal using 280-54 prior to disbursement.	SFS SBA Principal	Form 280-54 on hand for SFS	Monthly reconciliation and account reviews	Ongoing by SFS as Ipayments are processed	Only Ipayments with attached MCPS Form 280-54 are processed.
Purchasers will sign receipts to acknowledge that they have received the goods or services prior to the disbursement being made	SFS	Educating sponsors on requirement to sign to acknowledge receipt	Ongoing with each receipt submitted to support each disbursement	SFS will confirm requester's signature acknowledging receipt prior to each disbursement	All receipts will have requester's signature acknowledging receipt of items and may be paid.
Purchasing card approvers will approve purchasing card transactions using online reconciliation program.	SBA Principal	JPMorgan reconciliation program	Run "transactions to be reviewed" report on a monthly basis prior to the 10th of the month.	Monthly by SBA	Approval of purchasing card transactions within 10 days following closing of preceding month.
Budgets will be prepared, approved and monitored to compare income and expense projections to actual results.	SFS SBA AS Select Sponsors	budget spreadsheet, prior year actuals, current reports	Budgets prepared over the summer with SFS and select sponsors. SFS monitors actuals comparing to budget as spending occurs. SFS will use SFO budget feature.	SBA assists with budget preparation. SFS monitors budget as spending occurs. Sponsors monitor monthly.	Budgets will be prepared and spending will remain within set limits. If needed, sponsor will request to amend budget or obtain spending pre-approval.

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: 7/18/23