


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

July 14, 2023

MEMORANDUM

To: Mr. Mark A. Carothers, Principal  
Poolesville High School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
May 1, 2022, through May 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 June 27 2023, meeting with you; Mrs. Susan L. Krouner, school business administrator; and Mr. Nathaniel Gordon, school financial specialist, we reviewed the prior audit report dated June 16, 2022, 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**

MCPS Form 280-49A, *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF)*, specifies that this form is required (in lieu of Form 280-54) to document authorization/approval for all consultant/independent contractor services paid with IAF, regardless of the amount due for services, EXCEPT when contracting with vendors from the MCPS Approved Carrier (charter bus) list. If payment due for the vendor's services is

\$1,500 or more, a purchase order is required, EXCEPT when contracting with MCPD police officers for high school event security. We recommend that the project manager initiate MCPS Form 280-49A and the school financial specialist submit the form to procurement for approval two weeks prior to payment being due. This form is maintained in the schools IAF files to document the authorization and approval to pay a consultant/independent contractor with IAF (refer to the *MCPS Financial Manual*, chapter 15, page 2).

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 BOE ethics officer (refer to the *MCPS Financial Manual*, chapter 20, page 6). We recommend acquiring the ethics officer approval for the employee's business prior to any future purchases. If the BOE ethics officer approves the business entity, MCPS Form 280-49A would be used to set the business up as a subcontractor. As a subcontractor, payroll taxes would not need to be paid lowering the cost for goods purchased.

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

- MCPS Form 280-49A, *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF)* is required when paying independent contractors/vendors for services.
- Principal must obtain prior written authorization from BOE ethics officer when paying an MCPS employee that has ownership in a business that the school is procuring goods or services.

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 Student 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 agents to support you with developing a well-defined plan to address the findings.

MJB:LMB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. Hull

Dr. Murphy

Ms. Morris

Mr. Stockton

Mrs. Williams

Dr. Moran

Mr. Reilly

Dr. Campbell

Mrs. Chen

Ms. Eader

Mr. Klausning

Mrs. Ripoli

Ms. Morris

Ms. Webb

**FINANCIAL MANAGEMENT ACTION PLAN**

<b>Report Date:</b> August 25, 2023	<b>Fiscal Year:</b> August 25, 2023
<b>School:</b> Poolesville HS - 152	<b>Principal:</b> Mark Carothers
<b>OSSWB</b> <b>Associate Superintendent:</b> Peter Moran	<b>OSSWB</b> <b>Director:</b> Tamitha Campbell
<p><b>Strategic Improvement Focus:</b> As noted in the financial audit for the period <u>5/1/22 - 5/31/23</u>, strategic improvements are required in the following business processes :</p> <p>1) Proper use of MCPS Form 280-49A and 2) Proper process for obtaining written authorization from BOE ethics officer</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>
MCPS Form 280-49a will be completed to document authorization/approval for all consultant/independent contractor services paid with IAF, regardless of the amount due for services	SFS/SBA/AS	None	PHS staff will ensure that MCPS Form 280-49a is completed when required.	As needed, monitoring by SFS/SBA/Principal	Submission of Form 280-49a
The ethics officer will be contacted for approval for an employee's business prior to any future purchases. Once approval is granted, MCPS Form 280-49A would be used to set the business up as a subcontractor.	SFS/SBA	None	PHS staff will ensure that MCPS Ethics Officer is contacted for approval of employee's business prior to event.	As needed, monitoring by SFS/SBA/Principal	Ethics Officer contact and subsequent MCPS Form 280-49a

