


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

March 9, 2023

MEMORANDUM

To: Mrs. Elizabeth (Beth) L. Thomas, Principal
Quince Orchard High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2021, through December 31, 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 February 27, 2023, meeting with you; Mrs. Judith C. Yu, school business administrator; and Mrs. Jessica L. Ayers, school financial specialist, we reviewed the prior audit report dated May 24, 2021, 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 monthly bank statement shall be delivered directly to the principal for review of statement, canceled checks, and other documents. The principal should have electronic access to the cleared checks through the bank's online banking system in order to identify the payee on any questionable check if check images have not been provided by the bank (refer to the *MCPS Financial Manual*, chapter 20, page 9). Documents supporting the IAF reports are part of the financial records and should be maintained in the school office. Supporting documents include bank statements and copies of canceled checks. We noted that during the audit period the school was not receiving

copies of canceled checks from the bank, which prohibited us from reviewing checks written during audit period. We recommend that you request the bank to provide images of canceled checks each month or provide access to cleared checks through the online banking system. Check images must be printed each month and presented to the principal for review along with bank statement (refer to the *MCPS Financial Manual*, chapter 20, page 9).

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*, an approved spending limit or a budget prepared by the sponsor of a school activity. The MCPS Form 280-54 should contain an estimate of expected expenditures. 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 for each type of expenditures in the approved budget without receiving prior written approval of the principal to amend the budget. The financial agent and the sponsor are responsible for monitoring the budget to ensure revenues and expenditures conform to what the principal has approved. We found that the school did not have approved budgets on file for Prom, Homecoming, and The Prowler for Fiscal Year (FY) 2022. We also found that MCPS Form 280-54 was not pre-approved for these expenditures and other expenditures made by school staff. We recommend that your athletic specialist and sponsors of large activities prepare a detailed budget each year for principal approval and that the approved budget is monitored and revised as needed. We also recommend if no budget or approved spending limit is prepared that all purchases be pre-approved by principal prior to expenditures being made.

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 MCPS Form 280-54) to document authorization/approval for all consultant/independent contractor services paid with IAF, regardless of the amount due for services. If payment due for the vendor's services is \$1,500 or more, a purchase order is required, EXCEPT when contracting with Montgomery County Police Officers for high school event security. (refer to the *MCPS Financial Manual*, chapter 15, page 2). We found that contractor for services and athletic field expenses did not have a MCPS Form 280-49A completed, submitted and approved for disbursement. We recommend that the school complete and submit a MCPS Form 280-49A for all contractor/vendor services. We also recommend that the approved MCPS Form 280-49A is kept on file to document the authorization and approval to pay a consultant/independent contractor with IAF.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card Users Guide*. Monthly statements, or the statement of account landscape report, must be printed and provided to the principal, with all purchase receipts and invoices attached. We found that some cardholders were not submitting proper supporting documentation for purchasing card purchases. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with MCPS Form 280-34, *Remittance Slip*, to the financial agent on the day the funds are received. We found instances in which staff collecting funds were holding funds rather than remitting them timely to the financial agent. The financial agent did not notate if the deposits were placed in the safe or receipted after hours. We recommend that all staff who collect funds for school activities be reminded of remittance requirements (refer to the *MCPS Financial Manual*, chapter 7, page 4) and that the financial agent document on MCPS Form 280-34 the reason for late deposits such as, absences or if money was placed in the safe overnight.

Notice of Findings and Recommendations

- Monthly bank statement review must include copies of cleared checks.
- Athletic specialist and other account sponsors should prepare a detailed budget by line item each fiscal year and the budget must be approved by the principal, and monitored by the financial specialist.
- Purchase requests must be approved by the principal prior to procurement.
- Disbursements to contractors that perform a service must have a MCPS Form 280-49A approved prior to service being provided.
- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide*.
- Cash and checks (funds) collected by sponsors must be promptly remitted to the school financial specialist.

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. David Adams, 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. Adams 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 school business administrator and school financial specialist to support you with developing a well-defined plan to address the findings.

MJB:YSG:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. Hull

Dr. Murphy

Ms. Reuben
Mr. Stockton
Mrs. Williams
Dr. Floyd-Cooper
Mr. Reilly
Mrs. Chen
Mr. Adams
Ms. Eader
Mr. Klausling
Mrs. Ripoli
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:	Fiscal Year:
School:	Principal:
OSSWB Associate Superintendent:	OSSWB Director:
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period _____, 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

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"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director: <u>David W. Adams</u>	Date: _____