

Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

April 10, 2024

MEMORANDUM

To: Ms. Rhoshanda M. Pyles, Principal  
Rockville High School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
November 1, 2022, through December 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 March 20, 2024, meeting with you; Mr. David Stough, school business administrator; and Mrs. Paula M. Arata, school financial specialist, we reviewed the prior audit report dated January 6, 2023, 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 280-54, *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 purchases were not pre-approved, MCPS iPayment invoices had not been reviewed and authorized

for payment by the principal using Form 280-54, and invoices and online purchase confirmations were not always signed by the receiver to indicate goods or services were received, and that payment could be processed. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditure and signed/dated by the principal at the time verbal approval is sought. We also recommend that all MCPS iPayments be reviewed and approved by principal using MCPS Form 280-54, 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 MCPS Form 280-46, *Independent Activity Funds Request for Payment to MCPS Employees for Services (Work) Performed*, to compensate employees with IAF, must be in accordance with MCPS pay rate guidelines and payroll processes. We found that MCPS employees were paid for services using MCPS Form 280-46 instead of being paid as an Extracurricular Activity (ECA) Class I activity. According to the ECA program handbook, Class I stipends are to be paid at the rate of \$15.65 an hour for no more than 100 hours per activity. We found that you paid the employees completing services at an incorrect pay rate and not what is allowed in the ECA handbook (refer to the MCPS Regulation DIA-RB, *Payments for Services and Reimbursements for Expenses from School Independent Activity Funds*). We recommend that you pay all MCPS employees completing reoccurring services outside of their normal duty day through the ECA process instead of on MCPS Form 280-46, and follow the regulation above and guidelines outline in the ECA program handbook.

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 principal, with all purchase receipts and invoices attached. The principal must review each cardholder’s transactions and approve them by the tenth of the following month, using the online reconciliation program. We found that some cardholders had not promptly prepared their monthly statements. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the financial agent. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (refer to the *MCPS Financial Manual*, chapter 7, pages 4-5). We noted that MCPS Form 280-34, *Remittance Slip*, was not always filled out completely by the sponsor and at times was missing either the date of collection, description, signatures, or date received. We also found that the school financial specialist was not always providing a School Funds Online (SFO) receipt to the sponsors. We recommend that all sponsors, and the school financial specialist, complete the remittance slip in full and that the school financial specialist provides a copy of the receipt to the sponsor after recording the receipt in SFO. In addition, we recommend all funds collected must be remitted daily and deposited to the bank promptly.

**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.
- Payments to MCPS employees must adhere to the ECA guidelines.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*.
- MCPS Form 280-34 must be completed in full with all required information by sponsor and financial agent and a receipt issued timely to all sponsors.

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 Mrs. Jewel A. Sanders of school support and well-being, Office of School Support and Well-Being, for written approval of your plan. Based on the audit recommendations, she 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 financial agents 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. Felder

Mr. Hull

Dr. Johnson

Ms. Dempsey

Dr. Moran

Mrs. Williams

Dr. Redmond Jones

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Mrs. Sanders

Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> April 10, 2024	<b>Fiscal Year:</b> Nov 1 '22 - Dec 31 '23
<b>School or Office Name:</b> Rockville HS	<b>Principal:</b> Ms. Rhoshanda M. Pyles 
<b>OSSWB Associate Superintendent:</b> Dr. Donna Redmond Jones	<b>OSSWB Director:</b> Mrs. Jewel Sanders
<p><b>Strategic Improvement Focus:</b>          As noted in the financial audit for the period <u>11/1/22-12/31/23</u>, strategic improvements are required in the following business processes :</p> <p>Purchase approval, check and receipt documentation, Purchase Card, ECA Pay</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<ul style="list-style-type: none"> <li>- Reminder to all staff during preservice training.</li> <li>- Reminders throughout the year with specific staff, as needed.</li> <li>- Budgets, when appropriate (Purchase requests must be approved by the principal prior to procurement.)</li> </ul>	Stough, Arata	Updated preservice slides	280-54, 280-49A, budgets or similar reviewed at time of signatures	Stough, Arata, Pyles - Ongoing	Documentation will reflect principal approval prior to commitment of funds.
<ul style="list-style-type: none"> <li>- Reminder to all staff during preservice training.</li> <li>- Reminders throughout the year with specific staff, as needed.</li> <li>(Purchaser must confirm receipt of goods or services prior to disbursement.)</li> </ul>	Stough, Arata	Updated preservice slides	Receipts/invoices reviewed at time of signatures on approvals, checks.	Stough, Arata, Pyles - Ongoing	Documentation will reflect receipt of goods or services prior to disbursement.
<ul style="list-style-type: none"> <li>- Reminder to all staff during preservice training.</li> <li>- Reminders throughout the year with specific staff, as needed.</li> <li>(MCPS Form 280-34 must be completed in full with all required information by sponsor...)</li> </ul>	Stough, Arata	Updated preservice slides	280-34 at time of deposit  SFO receipts daily	Stough, Arata, Pyles - Ongoing	All 280-34 will be submitted complete and matching receipts provided in a timely fashion.
<ul style="list-style-type: none"> <li>- Reminder to all cardholders at the beginning of the year.</li> <li>- Monthly emails/calendar reminders.</li> <li>- Reminders throughout the year with specific staff, as needed.</li> <li>(Purchase card activity...)</li> </ul>	Stough, Pyles	One-page resource for process	JP Morgan PaymentNet records  Printed/signed reports	Stough, Pyles - Ongoing	Review and approval will occur within the required timelines.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Payments and hours will be tracked and paid at the prescribed rates using the appropriate forms.  (Payments to MCPS employees must adhere to the ECA guidelines.)	Sponsors, Stough, Arata	Internal timesheets	Sponsors will work with Payees to establish and track the required hours.	Stough, Arata, Pyles - ongoing	MCPS staff will be paid at rates within the ECA guidelines.

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: \_\_\_\_\_



05/15/2024

Date: \_\_\_\_\_

