


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

May 15, 2024

MEMORANDUM

To: Mrs. Sherilyn R. Moses, Principal  
Dr. Ronald E. McNair Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
March 1, 2021, through February 29, 2024

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 April 24, 2024, meeting with you; Mrs. Jessica Bay-Graber, principal intern; Ms. Desiree E. Lee-Thompson, school administrative secretary (secretary); and Mrs. Pamela K. Dunn, visiting bookkeeper, we reviewed the prior audit report dated April 12, 2021, and the status of the present conditions. It should be noted that Ms. Lee-Thompson's assignment as secretary was effective May 1, 2023. 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**

School Financial Training (SFT) Part I, is required for principals within their first year of assignment. Refresher training is recommended every three years because policies, regulations, procedures, and technology applications are continuously updated (refer to the *MCPS Financial*

*Manual*, chapter 1, page 9). We noted that you have not taken the SFT Part I since 2015. We recommended that you immediately sign up to take SFT Part I.

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 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 noted instances where MCPS Form 280-54 was not always completed prior to purchases being made and invoices and online purchase confirmations were not always signed/marked 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 by the principal at the time verbal approval is sought to show pre-approval of expenditure. We also recommend that when goods are received at the school that the purchase be verified as complete by the recipient and that the invoice/packing slip be marked “received” and sign/dated by the recipient. Requiring invoices to be marked “received” ensures that goods or services have been satisfactorily received prior to payment.

The use of personal credit cards for multiple purchases is discouraged (refer to the *MCPS Financial Manual*, chapter 20, page 8). In our sample of disbursements, we found that the principal spent their own personal funds, usually using debit/credit cards, and were reimbursed large amounts instead of making purchases through the Business Hub or with an MCPS purchasing card. We recommend issuing MCPS purchasing cards to MCPS staff members for small purchases and all large purchases be placed in the Hub.

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the secretary, along with a completed MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance*. 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). In your action plan, you indicated that staff would remit all funds daily and before the 2:30 pm deadline. We found that at times, staff were holding funds and not remitting to the secretary when received. We also noted that funds had been held by the secretary over the allowable *Cash Holding Authority (CHA)*. We recommend that staff be required to prepare and remit MCPS Form 280-34 with each remittance, and that all funds collected must be remitted daily and deposited to the bank promptly.

Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise. Taxable merchandise includes yearbook, school store, fundraiser items, physical education clothing, and other items that become the personal property of the individual making the purchase (refer to the *MCPS Financial Manual*, chapter 18, page 2). We noted yearbook sales for which sales tax had not been collected and remitted to the State of Maryland. We recommend that the school pay sales tax to the vendor when purchasing the yearbooks so that

the vendor can then submit the sales tax to the State of Maryland since the school does not have a sales tax account.

**Notice of Findings and Recommendations**

- Principal must attend SFT Part I.
- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Use of personal credit/debit card for large school purchases should be discontinued.
- Funds collected by sponsors must be promptly remitted to the secretary and promptly verified, receipted, and deposited in the bank in accordance with Chapter 7 of the *MCPS Financial Manual (repeat)*.
- Sales tax on yearbook purchases should be paid to the vendor.

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 Ms. Nicole A. Sosik, director of school support and well-being, Office of School Support and Well-Being, 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 secretary to support you with developing a well-defined plan to address the findings.

MJB:ABB: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

Ms. Bolden

Mrs. Chen

Ms. Eader

Mr. Klausning

Mrs. Ripoli

Ms. Sosik

Ms. Webb



**FINANCIAL MANAGEMENT ACTION PLAN**

<b>Report Date:</b>	<b>Fiscal Year:</b>
<b>School or Office Name:</b>	<b>Principal:</b>
<b>OSSWB Associate Superintendent:</b>	<b>OSSWB Director:</b>
<p><b><u>Strategic Improvement Focus:</u></b>          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

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"/> <b>Approved</b>	<input type="checkbox"/> <b>Please revise and resubmit plan by</b> _____
Comments: _____ _____	
Director: <u>    <i>Nicole A. Sosik</i>    </u>	Date: <u>    <i>06/18/24</i>    </u>