


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 6, 2023

MEMORANDUM

To: Dr. Alana D. Murray, Principal
Shady Grove Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2021, through November 30, 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 January 17, 2023, meeting with you and Mrs. Sharon A. Buyukcan, school financial specialist, we reviewed the prior audit report dated July 15, 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

Transfers of funds between general ledger accounts may be made only after MCPS Form 281-46, *Independent Activity Funds – Transfer*, has been executed by both the account sponsor and the principal. Transfers must be fully documented and adhere to MCPS guidelines for allowable uses of funds. We found that MCPS Form 281-46 was at times signed by you after the transfer was

already recorded in School Funds Online (SFO), and we also found that some transfer forms were not signed by the sponsors. In addition, we found that descriptions used on transfers did not convey the nature of the fund's movement. To improve internal controls, we recommend that the financial specialist only execute transfers after requests have been approved by the principal and sponsor, on MCPS Form 281-46. We further recommend that transfer descriptions be clear to convey to the sponsors where funds were transferred to and from (refer to the *MCPS Financial Manual*, chapter 20, page 12).

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. The financial specialist will then mark the documentation as "paid" prior to disbursing the funds. Disbursements made by Automated Clearing House (ACH) drawn on the school's IAF bank account, regardless of the documentation that approved the procurement of goods and services, are required to be approved by the principal using MCPS Form 280-54, with a summary spreadsheet detailing the IAF account(s) to be charged, prior to expenditure of funds (refer to the *MCPS Financial Manual*, chapter 20, page 6). In our sample of disbursements, we found instances in which purchases were not consistently pre-approved, and MCPS i-Payment invoices had not been reviewed and authorized for payment by the principal on MCPS Form 280-54. 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. We also recommend that all MCPS iPayments be reviewed and approved by principal using MCPS Form 280-54. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining your approval at the beginning of the school year. These budgets should be monitored by your school financial specialist and revised if necessary.

Independent contractors or consultants working in schools must comply with all laws and MCPS requirements set forth in the *Procurement Manual*. MCPS Form 280-49A: *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF)* is used to document authorization/approval for all consultant/independent contractor services paid with IAF. 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. (refer to the *MCPS Financial Manual*, chapter 15, page 2). We found that this form had not been completed for all payments to independent contractors during our audit period and that a purchase order was not created in the Business Hub payment to a contractor over \$1,500. We recommend the project manager initiate MCPS Form 280-49A to document the authorization and approval to pay a consultant/independent contractor with IAF (refer to the *MCPS Financial Manual*, chapter 15, page 2) and that when the total estimated cost exceeds \$1,500, a purchase order be created in the Business Hub.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Student Organization Trips*. Sponsors of field trips must have a complete class or club roster of student names to annotate the amount each student paid, date paid, eligible students who did not participate in the trip, and students who received waivers, scholarships, or reduced fees. This data together with a list of all chaperones and volunteers must be provided to the financial agent at the completion of each trip, and compared to remittances recorded in the trip account history report (refer to the *MCPS Financial Manual*, chapter 20, page 10). Even though sponsors are remitting a final field trip accounting sheet they are not indicating when payments were made. We noted that the financial specialist was not completing a reconciliation at the completion of the trip to compare sponsors records to account history report. We also found that this trip had a cost for four substitute's coverage on the field trip calculator, but the school did not need any substitutes. The school also paid for extra tickets but is working now with the vendor to get a refund for the extra tickets. We recommend that all sponsors be required to use MCPS Form 280-41: *Field Trip Accounting*, or equivalent, and follow the procedures outlined above. We also recommend better planning when pricing out the trip so as to not overcharge the students.

Admission receipts for events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. Admission event controls include serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and a perpetual inventory of tickets. We found transactions were recorded in a fundraiser account rather than the admissions account, we did not see any original ticket reports signed and dated by the Ticket Controller when tickets were issued, ticket reports were not completed correctly and multiple instances where the Admissions Manager and Report Auditor were signed by the same person. We also found that the financial agent did not write the receipt date and receipt number on some of the ticket reports, and funds were held from in school sales. In addition, we found that complimentary tickets were not accounted for separately on ticket reports when issued. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events, that all tickets be serially numbered and issued by the ticket controller, that the Fund Raiser request form contain information on ticket prices, all funds collected be remitted daily and deposited timely, and that all receipts and disbursements related to admission events be recorded into account 7500.000x.

MCPS Board of Education Policy JNA, *Curricular Expenses for Students*, requires that all fees charged to students be approved by the Office of Student Support and Well-Being (OSSWB). For collection of course fees, class sponsors should have a complete class roster of student names entered on a worksheet to annotate how much each student paid, students who had fees waived or reduced, and obligations issued (refer to the *MCPS Financial Manual*, chapter 20 page 11). We found instances of fees charged that were not on the approved list, or exceeded the approved limit. We also noted accounts in which fees were accumulating rather than being used to benefit students currently enrolled. In addition, we found that sponsors did not submit a completed record of all fees collected and there was no evidence of independent reconciliation. We recommend that

sponsors follow these internal control procedures to provide for accountability of funds collected as well as the opportunity to evaluate the results at the conclusion of the collection period. We also recommend care be exercised to insure all fees charged are approved and used to benefit students currently enrolled.

Notice of Findings and Recommendations

- Funds may not be transferred from an account without approval of the sponsor or principal.
- Purchase requests must be approved by the principal prior to procurement.
- Independent contractor payments must comply with the Procurement Manual.
- Field trip records prepared by sponsors must provide comprehensive data, and the financial agent must reconcile funds collected with account history report (**repeat**).
- Field trip planning should be reviewed to ensure that established fees are commensurate with trip expenses;
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.
- All course-related fees must be approved by OSSWB.
- Course fees should be commensurate with course expenses and the sponsor and financial agent should reconcile the course fees.

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 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 team 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

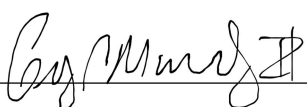
Ms. Reuben
Mr. Stockton
Mrs. Williams
Mr. Reilly
Mrs. Chen
Dr. Floyd-Cooper
Ms. Eader
Mr. Klausling
Mr. Mullenholz
Mrs. Ripoli
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2021-2022	Fiscal Year: 2021-2022
School: Shady Grove MS - 521	Principal: Dr. Alana D. Murray
OSSWB Associate Superintendent: Dr. Donna Redmond Jones	OSSWB Director: Mr. Gregory C. Mullenholz
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>2021-2022</u>, strategic improvements are required in the following business processes :</p> <p>Transfer of funds, Independent Contractor, Field Trips, Admission of Receipts, and Curricular expenses for students.</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Ms. Buyukcan will work with Dr. Murray to ensure that MCPS form 281-46 is executed properly by the Financial team	Ms. Buyukcan	Form 281-46	Weekly meeting with Dr. Murray and Ms. Hyman	Dr. Murray	Accurately completed form 281-46 once preapproved by Dr. Murray
Ms. Buyukcan will prepare MCPS 280-54 prior to the expenditure of funds. In addition, sponsors will prepare an annual budget prior to the beginning of the school year.	Ms. Buyukcan	Budgets for Sponsors	Weekly meeting with Dr. Murray and Ms. Hyman	Dr. Murray	Completed budgets by activity sponsors.
Ms. Buyukcan will review the procurement manual to comply with independent contractor payments. Ensure that all contact over \$1500 a purchase order is required.	Ms. Buyukcan	Procurement Manual	Work with procurement office	Dr. Murray	Corrected Contract Payments
All sponsors must use MCPS form 280-41: Field Trip Accounting to plan for pricing out each field trip effectively.	Sponsors and Ms. Buyukcan	Financial Manual (p.20)	Weekly meetings with Dr. Murray and Ms. Hyman	Dr. Murray	All field trips are correctly reconciled at the end of each trip.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Procedures are established for admission receipts. This includes: - Reviewing ticket procedures with the appropriate staff. - All tickets are collected and remitted in a timely fashion.	Ms. Buyukcan Drama Directors	MCPS form 280-50, tickets and cash reports	Effective ticket procedures for spring and fall productions	Dr. Murray	Successful implementation of ticketing procedures.
Appropriate procedures are followed for curricular expenses for students.	Ms. Buyukcan Ms. Hyman Dr. Murray	MCPS Financial Manual	Successful completing of course fee collection.	Dr. Murray Ms. Hyman	Students are not charged for fees that are not approved by OSSWB.
Review meeting with Mr. Mullenholz, Ms. Bergstresser, Dr. Murray, Ms. Buyukcan, and Ms. Hyman to review patterns and trends in the audit data.	Dr. Murray Mr. Mullenholz	SGMS Audie Review	We will review targeted interventions to improve SGMS practices.	Mr. Mullenholz	There will be improved internal controls for SGMS financial practices.

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____	
Director: <u></u>	Date: <u>March 29, 2023</u>