



OFFICE OF THE INSPECTOR GENERAL

Montgomery County, Maryland



MEMORANDUM OF INVESTIGATION

TO: Dr. Monique Felder
Interim Superintendent

FROM: Megan Davey Limarzi, Esq.
Inspector General *ML*

DATE: April 1, 2024

SUBJECT: Investigation of Alleged Mismanagement of Grant Funds Provided to the Sargent Shriver Elementary School PTA

The Office of the Inspector General (OIG) recently concluded an investigation into whether grant funds awarded to the Sargent Shriver Elementary School (SSES) were mismanaged by SSES Parent Teacher Association (PTA) members. The funds were awarded to SSES by Community Partners on behalf of the Kaiser Permanente Thriving Schools Initiative and later transferred to the PTA to update a staff lounge. The investigation was predicated on a complaint alleging that mismanagement of the PTA's funds was discovered following a change in PTA leadership. Since the OIG's authority only extends to county government and independent county agencies, the investigation focused only on alleged improprieties with the Kaiser grant funds awarded to Montgomery County Public Schools (MCPS) and funds under the control of MCPS employees.

The OIG did not substantiate mismanagement or loss of grant funds, however, we found that the funds were transferred from an account controlled by MCPS to the PTA (an independent party outside of MCPS's control) in violation of policy, that the funds have not been spent for their intended purpose, and that current PTA officers are preventing the funds from being returned to MCPS.

We encourage MCPS to take action to recover the grant funds from the PTA and either spend them on a project supported by the grant or return them to the grantor.

Background

In October of 2023, the OIG received a complaint detailing numerous examples of disfunction with the management of the SSES PTA and suspected mismanagement of the organization's funds. Allegations included:

- The PTA lost its non-profit status "years ago", has not updated or reapproved bylaws since 2013, and has not filed taxes since 2018.
- The PTA has maintained minimal to no records of meetings and maintained no evidence meetings were conducted or expenditures were approved by a quorum of voting members of the PTA, as required by parliamentary procedures.

The complaint also detailed how a newly elected PTA board raised concerns about the management of the PTA bank account by previous board members, including:

- Limited evidence of the origin of the funds or payees for most deposits.
- Limited supporting documentation (receipts) justifying expenditures from the account or an explanation of what the funds were used for.
- Large cash withdrawals by Board members.
- Electronic Fund Transfers (EFTs) were made to an account believed to be the personal bank account of one of the previous board members.
- The PTA's debit card was used to make undocumented and unsupported purchases.

On May 15, 2019, SSES was awarded a grant in the amount of \$4,998.66 by the Kaiser Permanente Thriving Schools Initiative to be used to update a staff lounge. The term of the grant was initially from August 2019 through May 2020, but SSES was granted an indefinite extension in 2020 due to pandemic related challenges. The funds were first deposited into a SSES Independent Activity Fund (IAF) bank account on June 19, 2019. On June 29, 2020, the funds were transferred from the account to another SSES IAF account to ensure the funds were not co-mingled with other SSES funds and remained there for nearly three years. On May 8, 2023, SSES's principal, after consulting with MCPS's Internal Auditor, authorized the funds to be transferred to the PTA. Since that time, no work has been done regarding this grant and none of the grant funds have been spent.

PTAs in Maryland are expected to comply with the membership requirements of Free State PTA, an umbrella organization for all Maryland PTAs. These requirements include having by-laws and registering as a not-for-profit business with the State Department of Assessments and Taxation (SDAT). Once those requirements are met, a PTA is classified as being "in good standing" with the organization. According to SDAT records, the SSES PTA's registration was forfeited in 2018.

The SSES principal told the OIG that due to turnover and retention issues with the PTA, members of the school's staff that were parents of students at the school served as PTA board members during the 2022-2023 school year. Once appointed, these staff members took control of the business and financial affairs of the PTA, including the PTA bank account. The principal acknowledged that the board should have been selected through an election and not direct appointment. The principal stated that service on the board was not mandatory, and selection was based on the selectee's status as parents.

A new PTA Board was elected in the Summer of 2023, at which time the new members raised red flags regarding the management of the PTA and its funds. According to the PTA secretary, the PTA ceased operations in October 2023 pending an investigation of the allegations made to the OIG.

Section 2-151 of the Montgomery County code grants the OIG authority to conduct investigations of "County government and independent County agencies". This authority does not extend to independent non-profit entities such as a PTA but does extend to instances where

county funds are involved. Therefore, this investigation focused on the handling of grant funds awarded to MCPS.

Inquiry and Findings

Grants Management by MCPS

MCPS receives grants from government agencies, foundations, and other private sources. During fiscal years 2021-2023 MCPS was awarded more than \$775M in grant funds. MCPS' Division of Financial Services (DFS) is responsible for grants management. MCPS' Division of the Controller (DOC) is charged with ensuring compliance with the MCPS Financial Manual and applicable MCPS policies and regulations. Additionally, MCPS' Budget Office has grant coordinators that support management of grant funding received by MCPS.

Through this investigation, we found that no mandatory training requirement exists for MCPS employees charged with administering or managing grant funds and related policy and/or process changes are not always readily implemented by staff responsible for MCPS's financial or grants management. Grants management specific training promotes accountability and transparency while supporting understanding of the roles and responsibilities of grant managers and provides assurance funds are used appropriately.

MCPS policy permits schools to apply directly for small grants. For small grants, "Principals are responsible for all aspects of project management, including financial management".¹ Principals may appoint grant project managers to be responsible for "developing [sic] the grant application, seeking [sic] required approvals, and managing [sic] all programmatic and financial aspects of the project".² The MCPS Budget Office grants approvals for small grants. According to MCPS policy, "Grant funds must be spent strictly by the rules established by the Grantor within the required term of the grant".³

SSES Handling of Kaiser Permanente Thriving Schools Initiative Grant Funds

In May 2019, SSES was awarded a small grant in the amount of \$4,998.66 through Community Partners on behalf of the Kaiser Permanente Thriving Schools Initiative to be used to update a staff lounge. Although the SSES principal assigned a grant project manager to the project, the grant sat unused in SSES's IAF account because, according to the SSES principal, SSES purchase card limits were too low and prevented her from buying preferred furnishings.

In April of 2023, SSES's principal sought guidance from MCPS's Internal Audit Unit (IAU) to move the Kaiser grant funds to the PTA. They argued that the move "afforded [SSES] more flexibility with purchases from outside MCPS vendors." SSES subsequently received permission from IAU to transfer the funds to the PTA even though MCPS policy prohibits using IAF accounts as a pass through to PTAs.⁴ During the investigation, we learned that three other schools received similar grant funding from the Kaiser Permanente Thriving Schools Initiative and were able to utilize the funds without any involvement from their respective PTAs.

¹ MCPS Financial Manual Chapter 11 Grants Administration 11-4.

² MCPS Financial Manual Chapter 11 Grants Administration 11-5.

³ MCPS Financial Manual Chapter 8 Operating Budget page 8-1.

⁴ MCPS Financial Manual Chapter 20 Independent Activity Funds pg. 20-17.

Analysis of the PTA Account

The OIG analyzed all transactions greater than \$1,000⁵ in the PTA account from June 2020 through July 1, 2023 (the approximate date the responsibility of the account was transferred to the new PTA). The OIG identified one questionable transaction categorized as a “customer withdrawal” on May 17, 2023, in the amount of \$7,679.67. An analysis determined that the transaction was used to cover costs associated with a book fair and a donation to SSES.

Issues Recovering the Grant Funds from PTA

When the new PTA Board assumed financial control of the PTA in July 2023, they represented to the Montgomery County Council of PTAs (MCCPTA),⁶ SSES’s Principal, and SSES’s assistant principal that the PTA had “less than \$1,000 in the current bank account”, suggesting the Kaiser grant funds were missing. However, the OIG later found that the account contained \$6,120.16 at the time and not the amount represented by the PTA.

On September 4, 2023, after the grant project manager requested that the PTA release the grant funds to complete work on the lounge project, the new PTA treasurer reviewed the accounting transactions, and suggested an independent audit be conducted prior to releasing the funds. The PTA subsequently denied the project manager access to the Kaiser grant funds. On the same date, the PTA withdrew all funds from the PTA account, including the grant funds, and transferred them to Free State PTA presumably for safekeeping. This move officially rendered the funds inaccessible by SSES. According to email correspondence between the PTA secretary and Free State PTA, the funds will be held until the PTA requests they be returned.

The grant project manager has attempted to engage with the PTA to recover the grant funds and move the staff lounge project forward, but the relationship has become contentious. The grant project manager advised that the PTA’s secretary informed them “you will never see that money” even though the grant funds are clearly MCPS and SSES’s funds. SSES’s principal has also been unsuccessful in attempting to recover the funds from Free State since the PTA’s secretary continues to withhold approval. As of April 1, 2024, the grant funds remained locked away with Free State against the wishes of SSES leadership.

Conclusion

We found that SSES violated MCPS policy by transferring grant funds to the PTA, an independent party outside of MCPS’s control. We further found, and are concerned, that the funds have not been spent and that the current PTA is preventing them from being returned to MCPS.

We encourage MCPS to take action to retrieve the grant funds from the PTA and either spend them on a project supported by the grant or return them to the grantor.

This report has been shared with the Montgomery County State’s Attorney’s Office for consideration of allegations of improper financial management by the PTA.

⁵ The OIG did not examine transactions under \$1,000 as they did not appear to involve MCPS funds.

⁶ MCCPTA is an association of local PTAs in Montgomery County. They represent 194 local PTAs across Montgomery County.