


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

October 18, 2018

MEMORANDUM

To: Mr. Joel L. Beidleman., Principal  
William H. Farquhar Middle School

From: Roger W. Pisha, Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period  
January 1, 2017, through August 31, 2018

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, 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 there is compliance with policies, regulations, and procedures and that any significant errors or omissions in the financial records are detected.

At our October 11, 2018, meeting with you and Mrs. Anissa B. Black, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated March 1, 2017, and the status of 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

Guiding principles provide a framework meant to direct sound decision making and actions for administering the IAFs of MCPS. These principles include the two basic purposes for raising and disbursing of IAFs which are to promote the general welfare, education, and morale of students

and to finance the recognized extracurricular activities of the student body. Additionally, the management of IAFs must be in accordance with good business practices that include sound accounting procedures and internal controls. Principals will also perform a monthly review of IAF account balances, and will not authorize any procurement without having sufficient funds available in an appropriate account to make the disbursement for payment of the goods or services (refer to *MCPS Financial Manual*, chapter 20, page 1). We found that you had several IAF accounts with negative balances at the end of Fiscal Year 2018, and that your total cash position has decreased significantly over the past several fiscal years. We recommend that you review the IAF financial reports monthly with your school financial specialist to evaluate the status of your overall cash position and to develop a plan for eliminating any negative balance accounts noted.

### Summary of Recommendations

- IAF overall cash position trend must be monitored with monthly financial report review.
- IAF should be managed to reduce and eliminate negative account balances.

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 form, 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 Dr. Michael J. Zarchin, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Zarchin 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 financial specialist to support you with developing a well-defined plan to address the findings.

RWP:MJB:lsh

Attachment

Copy to:

Members of the Board of Education  
Dr. Smith  
Dr. Navarro  
Dr. Statham  
Dr. Zuckerman  
Mr. Civin  
Dr. Johnson  
Dr. Williams  
Mrs. Camp  
Mrs. Chen  
Ms. Diamond

Mr. Reilly  
Mr. Tallur  
Dr. Zarchin



**FINANCIAL MANAGEMENT ACTION PLAN**

<b>Report Date:</b> 10/18/18	<b>Fiscal Year:</b> 10/18/18
<b>School:</b> William H. Farquhar MS - 507	<b>Principal:</b> Joel Beidleman
<b>OSSI Associate Superintendent:</b> Dr. Darryl Williams	<b>OSSI Director:</b> Dr. Michael Zarchin
<p><b>Strategic Improvement Focus:</b>                  As noted in the financial audit for the period <u>1/17-8/18</u>, strategic improvements are required in the following business processes :</p> <p>Manage and reduce negative accounts, monitor overall cash position</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Monthly financial reports will be reviewed to ensure the accounts being used are for the specified purpose. Financial Specialist will cross reference purchase request with account to be charged before item is approved.	Principal Financial Specialist	Monthly reconciliation reports, chart of accounts	Review 280-54 to ensure the item to be purchased is being charged to the correct account	Monitoring will be done by principal and school financial specialist	Transactions will come out of the appropriate accounts
Decrease trend in overall cash position. (with the modernization in 2016, items that were not permitted to be purchased using capital improvement funds were needed for the basic functionality of the school; school flags, trash cans, school signage, etc.) School will conduct fundraising and monitor the cash position monthly.	Principal Financial Specialist	Monthly reconciliation reports, chart of accounts fundraising ideas	Monthly reconciliation reports	Monitoring will be done by principal and school financial specialist	Positive trend in overall cash position by 2020

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

**OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL**

**Approved**
                 
  **Please revise and resubmit plan by \_\_\_\_\_**

Comments: \_\_\_\_\_

Director:                       Date: 1-18-18