


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 25, 2018

MEMORANDUM

To: Mr. Norman L. Coleman, Principal
Francis Scott Key Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2016, through April 30, 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 and are charged with determining the manner in which funds are raised and expended for activities such as field trips, admission events, and fund-raisers. They are responsible for ensuring that the IAFs are administered in accordance with MCPS policies, regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with MCPS 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 MCPS policies, regulations, and procedures, and that any significant errors or omissions in the financial records are detected.

At our June 13, 2018, meeting with you, and Mrs. Jackie L. Spear, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated December 19, 2016, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2017. 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

The monthly School Funds Online (SFO) bank account reconciliation is to be completed with the report presented to the principal no later than the 20th day of the month following the close of each month. The principal shall review the bank reconciliation report, sign and date it to indicate

review, and return it to the school financial specialist to be filed in the business office (refer to *MCPS Financial Manual*, chapter 20, p. 9). We found that the monthly bank reconciliations were not completed timely. In addition, fund transfer forms moving funds from one SFO account to another SFO account were not being signed by the principal to indicate review and approval. We recommend that the bank reconciliation be completed for your review, approval, and signature by the 20th day of each month. We further recommend that all fund transfers receive your written approval.

Summary of Recommendations

- Monthly bank reconciliations must be completed by the 20th day of the month following the close of each month for principal review and signature.
- Fund transfers must receive written principal approval.

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 Mrs. Diane D. Morris, director of school support and improvement of middle schools. Based on the audit recommendations, Mrs. Morris 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 school financial agent to support you with developing a well-defined plan to address the findings.

RWP:BK: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

Mrs. Morris

Mr. Tallur

Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY18	Fiscal Year: FY18
School: Francis Scott Key MS - 311	Principal: Norman L. Coleman
OSSI Associate Superintendent: Mrs. Diane M. Morris	OSSI Director: Dr. Mary Jane Ennis
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>10/1/16 - 4/30/18</u>, strategic improvements are required in the following business processes :</p> <p>Monthly bank reconciliations completed by the 20th day of month following the close of each month for Principal review and signature and fund transfer approval.</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Monthly bank reconciliations completed by the 20th day of month following the close of each month for Principal review and signature.	Ms. Spear, Financial Specialist Mr. Coleman, Principal	Bank statements	Financial Reports	Who: Ms. Spear, Mr. Coleman When: Monthly, Admin. Financial Meetings	
Fund transfers must receive written Principal approval,	Ms. Spear, Financial Specialist Mr. Coleman, Principal	IAF Transfer (Form 281-46)	Financial Reports	Who: Ms. Spear, Mr. Coleman When: Monthly, Admin. Financial Meetings	

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

Approved
 Please revise and resubmit plan by _____

Comments: 

Director: _____ Date: 8/27/18