

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

July 15, 2020

MEMORANDUM

To: Ms. Galit Zolkower, Principal
Highland View Elementary School

From: Mary J. Bergstresser, Acting Supervisor, Internal Audit Unit *mjb*

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2017, through February 29, 2020

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 30, 2020, virtual meeting with you; Ms. Rebecca A. Irwin Kennedy, assistant principal; Mrs. Tina P. Errigo, school administrative secretary; and Mrs. Barbara L. Miller, visiting bookkeeper, we reviewed the prior audit report dated May 30, 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

Controls over cash receipts need improvement. Staff collecting funds were holding funds rather than remitting them timely to the school administrative secretary. Also, the school administrative secretary was not always making timely deposits and was holding money in excess of permitted amounts. In your action plan dated June 27, 2017, you indicated that sponsors would remit funds

on a daily basis to the school administrative secretary. Infrequent deposits increase the possibility of a loss of funds, diminish the school's ability to fund activities, and are contrary to the *MCPS Financial Manual*. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected must be remitted to the school administrative secretary daily (refer to the *MCPS Financial Manual*, chapter 7, pp. 4-5). In addition, all remittances on hand must be deposited before each weekend or holiday.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card User's Guide*. By the fifth business day of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements, or the statement of account landscape report, must be printed and provided to the principal with all purchase receipts and invoices attached. The principal must review each cardholder's transactions and approve them by the 10th of the following month, using the online reconciliation program. In your action plan, you indicated that the cardholder would review JP Morgan transactions in the online reconciliation program in a timely manner. We found your cardholder had not promptly prepared monthly statements, reviewed transactions in the online reconciliation program, indicated IAF account number when necessary, or included notes to describe what was purchased. By not reviewing transactions in the online system, it prohibits the approver from seeing these transactions in order to approve them. All transactions must be reviewed and approved in the online system and we recommend that you obtain additional training with the Internal Audit Unit (IAU) team to assist in eliminating all outstanding transactions. We also recommend that you institute deadlines for staff to prepare purchasing card statement reports with backup to comply with MCPS requirements.

Notice of Findings and Recommendations

- Cash handling process must conform to Chapter 7 of the MCPS Financial Manual (**repeat**).
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide* (**repeat**).

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. Jennifer L. Webster, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools. Based on the audit recommendations, Mrs. Webster 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 administrative secretary to support you with developing a well-defined plan to address the findings.

MJB:HT:sh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Johnson

Dr. Wilson

Mrs. Ahn

Mrs. Morris

Mrs. Camp

Mrs. Chen

Mr. Marella

Mr. Reilly

Mr. Tallur

Mrs. Webster

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 4/30/2020

Fiscal Year: 4/30/2020

School: Highland View ES - 784

Principal: Galit Zolkower

OSSI

Associate Superintendent: Diane Morris

OSSI

Director: Jennifer Webster

Strategic Improvement Focus:

As noted in the financial audit for the period 4/1/17-2/29/20, strategic improvements are required in the following business processes :

Controls over cash receipts need improvement. Purchases made with MCPS credit cards must be reviewed and approved in a timely manner

| Action Steps | Person(s) Responsible | Resources Needed | Monitoring Tools / Data Points | Monitoring: Who & When | Results/Evidence |
|---|-----------------------|---------------------|---------------------------------------|--|----------------------------------|
| The administrative secretary will attend a refresher Financial Management training. In addition, she will schedule regular bank visits to ensure swift and timely deposits. | Mrs. Tina Errigo | Training | PDO Certificate Bank deposit slips | Ms. Galit Zolkower Weekly meetings with Mrs. Errigo | Training completed in July, 2020 |
| The principal will remind the administrative secretary to review transactions. The principal will schedule weekly reminders to approve transactions | Ms. Galit Zolkower | payment.net website | account information | Ms. Zolkower | |
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| OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL | |
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| <input checked="" type="checkbox"/> Approved | <input type="checkbox"/> Please revise and resubmit plan by _____ |
| Comments: _____ | |
| Director: <u>Jenn Webster</u> | Date: <u>7/23/2020</u> |