


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 19, 2016

MEMORANDUM

To: Ms. Lily (Vicky) Lake-Parcan, Principal
Neelsville Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2015, through September 30, 2016

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. 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 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.

In our meeting on December 8, 2016, with you and Mrs. Irene D. Holt, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated August 25, 2015, 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

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card User's Guide*. By the fifth of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements 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 tenth of the following month, using the online reconciliation program. The principal's card transactions are to be reviewed and approved by the respective director of middle schools. We found that some cardholders had not promptly prepared their monthly statements or reviewed their transactions in the online reconciliation program. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

In order to properly control receipts, all of the cash and checks collected by sponsors for IAF activities should be remitted promptly to the school financial specialist. The amount of funds should be verified in the presence of the purchaser, and a receipt that is supported by MCPS Form 280-34: *Independent Activity Fund (IAF) Remittance Slip*, should be issued promptly. Remittances received should, in turn, be promptly deposited into the school's bank account. We found instances in which funds were held by sponsors rather than remitted to the school financial specialist on a daily basis. In some cases, sponsors held funds until the close of business which prevented the school financial specialist from making timely bank deposits, and compelling her to exceed the amount of funds allowed to be held overnight. Large and infrequent deposits increase the possibility of loss of funds as well as decrease the school's ability to fund activities. To minimize the risk of loss and provide availability of funds to meet school needs, we recommend that all funds collected should be remitted to the school financial specialist daily for prompt deposit (refer to *MCPS Financial Manual*, chapter 7, page 4).

Sponsors of field trips should have a complete class or club roster of student names that annotates 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. A list of all chaperones and volunteers should also be provided. This data should be provided to the school financial specialist at the completion of each trip, and compared to remittances recorded in the trip account history report. Once again, we found that not all sponsors are providing completed data at the conclusion of each trip. Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Student Organization Trips*. We recommend that all sponsors be required to use MCPS Form 280-41: *Field Trip Accounting*, or equivalent, and follow the procedures outlined above.

Summary of Recommendations

- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide*.
- Cash handling process must conform to chapter 7 of the *MCPS Finance Manual*.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip **(repeat)**.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, please provide a response to the Internal Audit Unit within

30 calendar days of this report, with a copy to Mrs. Elizabeth L. Thomas, director of school support and improvement of middle schools. In your response, please share a detailed plan for addressing these issues including appropriate staff training and support. The Office of School Support and Improvement will follow up on this audit.

RWP:AMB:lsh

Copy to:

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FINANCIAL MANAGEMENT ACTION PLAN

School: Neelsville Middle School

Principal: Vicky Parcan

Fiscal Year: FY 17

Associate Superintendent: Dr. Darryl Williams

Director: Elizabeth Thomas

Strategic Improvement Focus:

As noted in the financial audit for the period 5/1/15-9/30/16, strategic improvements are required in the following business processes :

- Purchase card activity must be reviewed online by the 5th of the following month.
- Funds collected must be promptly remitted by sponsors to the financial specialist
- Field Trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
Cardholders have reviewed and reconciled all transactions. Purchasing card usage is now in compliance with MCPS requirements	Cardholders	Reminders to cardholders of due date. Repeating JP Morgan card training.	Monthly credit card statement.	Principal and Financial Specialist will remind cardholders monthly.	FY 17 and forward will show all purchasing card activity is reviewed and reconciled by the fifth of the following month.
Staff will be reminded to make deposits daily and as early in the day as possible. Sometimes due to sponsor's schedule deposits are made late in the day to financial specialist. Funds are secured in a locked safe.	Sponsors	IAF Procedures for sponsors.	Monthly IAF reconciliation report	Principal and Financial Specialist will remind sponsors monthly.	FY 17 and forward will show evidence of timely deposits by sponsors.
Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip	Field trip Sponsors	Field Trip Guidelines	Field Trip Completion Report	Principal and Financial Specialist will review completion report at the end of the trip.	FY 17 and forward will show evidence of improved field trip data. Improvements have been made over past years and will continue to monitor process.

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: 3/1/17