


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 18, 2018

MEMORANDUM

To: Ms. Lily V. 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
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 5, 2018, meeting with you and Mrs. Irene D. Holt, 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. 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 business day 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 school support and improvement of middle schools. We found that some cardholders had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the principal and respective director had not approved all transactions online. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Although the sponsors are submitting fund-raiser request and completion reports, and all reports are signed by the school financial specialist and you, not all forms were properly completed so that results could be evaluated, and many completion reports were not submitted timely after conclusion of the activity. Fund-raiser request forms need to indicate cost and sales price of items being sold and a flyer should be attached if proceeds will benefit a charity. A completion report for an activity involving the sale of items should include the total number of items for sale, selling prices, and any remaining inventories to determine whether all sums collected were remitted to the school financial specialist. This form should be prepared by the sponsor when the fund-raiser is completed. We recommend following internal control procedures to provide for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the activity.

Summary of Recommendations

- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide* (**repeat**).
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*.
- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results.

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. Elizabeth L. Thomas, director of school support and improvement of middle schools. Based on the audit recommendations, Mrs. Thomas 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: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. Tallur
- Mrs. Thomas
- Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY 18	Fiscal Year: FY 18
School: Neelsville MS - 115	Principal: Vicky Lake - Parcan
OSSI Associate Superintendent: Darryl Williams	OSSI Director: Elizabeth Thomas
<p><u>Strategic Improvement Focus:</u> 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>MCPS Purchasing Card User's Guide and Guidelines for Sponsoring an IAF Fund Raiser</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
The principal had been locked out and could not use her password. Therefore, none of the transactions had been approved for the past two months. The principal's password has been updated and she has done a query to approve old transactions. She will continue to update by the 10th of the following month.	Cardholders, Principal and Director	To perform a monthly query to make sure transactions have been approved.	Card holders will make sure they have given the principal their statements with all receipts and invoices by the 10th of the following month.	Principal will make sure she has all cardholders statements and approve by the 10th .	FY 18 and forward will show that we are in compliance with the MCPS Purchasing Card User's Guide.
One of our card holders did not have a password and could not approve her transactions. This has also been corrected.	cardholder				FY 18 and forward will show that all purchase cardholder activity is reviewed and by the 5th day of the following month.
No longer will fundraising events take place without the sponsors following the Guidelines for Sponoring an IAF Fund Raiser	Financial Specialist, Principal and Sponsors	Fundraiser sponsors need to use online fundraising forms in financial folde	Fundraiser sponsors will provide accurate data so that the results can be evaluated properly for approval .	Fundraiser sponsor will make sure that the fundraiser completion report is turned in at conclusion of	FY 18 and forward will show that we are in compliance with the Guidelines for Sponsoring an IAF Fund Raiser.
				activity. Financial Specialist will make sure that sponsor fills out completion report accurately.	FY 18 and forward will show that the fundraiser completion reports prepared by sponsors will have sufficient information to analyze results.

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: Debra Thomas Date: 6/26/18