


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

August 6, 2018

MEMORANDUM

To: Mr. Robert S. Geiger, Principal
New Hampshire Estates Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
June 1, 2016 through June 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 July 27, 2018, meeting with you and Mrs. Maria M. Garcia, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated June 30, 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

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, bank reconciliation report and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date (refer to *MCPS Financial Manual*, chapter 20, page 9). We could find no indication that these important reviews

were completed consistently during our audit period. We recommend that you initiate a process that insures this important internal control process occurs monthly.

The management of IAF must be in accordance with good business practices that include sound accounting and internal control procedures (refer to *MCPS Financial Manual*, chapter 20, page 1). We found that staff did not have adequate procedures in place for proper control and oversight of IAF. As a result, we noted that your checking account was overdrawn on one occasion due to not transferring funds from the centralized investment fund into the checking account to provide sufficient funds for disbursements made from the checking account. Another transaction lacked a description to fully explain the accounting entry. We recommend that you work with the school administrative secretary and visiting bookkeeper to establish processes that will structure workflow to ensure control and appropriate oversight of IAF, and to monitor transaction activity in an effort to reduce errors.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and Student Organization Trips*. Trip approval forms signed by the principal, and the director of school support and improvement, when required, should be retained. We found that although the trip approval forms were on file, they did not contain all relevant information. We recommend that the school's field trip approval form be revised to include all relevant information.

Summary of Recommendations

- Monthly financial reports must be signed and dated by the principal to indicate review **(repeat)**.
- IAF must be managed in accordance with sound accounting practices and effective internal control procedures.
- Field trip request for approval forms must contain all relevant information **(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 Mr. Eric A. Wilson, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mr. Wilson 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 agent to support you with developing a well-defined plan to address the findings.

RWP:SMY:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Morris

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Reilly

Mr. Tallur

Mr. Wilson

Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 9/6/2018	Fiscal Year: 9/6/2018
School: New Hampshire Estates ES - 791	Principal: Robert S. Geiger
OSSI Associate Superintendent: Diane Morris	OSSI Director: Eric Wilson
Strategic Improvement Focus: As noted in the financial audit for the period <u>6/1/16-6/30/18</u> , strategic improvements are required in the following business processes :	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Principal will review unopened monthly bank statements, bank reconciliation reports and ledger reports in a timely manner, and sign and date these reports.	Principal	Calendar; Signature folder; files for reviewed reports	Completion indicated on Principal's Calendar	Administrative Secretary will check with principal by the 9th of each month to verify completion.	Signed and dated reports
Staff will implement procedures to ensure proper control and oversight of IAF in accordance with sound accounting practices.	Principal; Administrative Secretary	On-line access to School Finance Manual	Monthly bank statements; ledger reports	Monthly review by Principal	Bank statements will show no overdrawn accounts.
Principal and Administrative Secretary will attend together School Finance I training	Principal; Administrative Secretary	None	Registration for PDO class. (Principal and Administrative Secretary are registered for next available training in February.)	Principal will ensure that he and the administrative secretary attend the training.	Training completion will be noted on PDO
Principal will request bank to place a block on the school's checking account to prevent in-person withdrawals from the account.	Principal	None	Already complete	Already complete	This has already been accomplished. The bank has placed a block on the account to prevent in-person withdrawals.

