


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

January 24, 2018

MEMORANDUM

To: Mrs. Mildred L. Charley-Greene, Principal  
Northwood High School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
September 1, 2016, through November 30, 2017

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 January 10, 2018, meeting with you, Mr. Jacob J. Lee, assistant principal, Ms. Thuy Trang T. Duong, school business administrator, Mr. Marco G. Fuggitti, athletic director, and Mrs. Timasha B. Adams, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated October 14, 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 Users 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 or designee, with all purchase receipts and invoices attached. The principal or designee must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. We found that some cardholders had not promptly prepared their monthly statements, included description of items purchased, indicated IAF account to charge when required, or reviewed their transactions in the online reconciliation program. We also found that while the principal had reviewed the school business administrator's transactions on paper, none of the transactions had been approved 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 most sponsors submitted a fund-raiser request form for approval to conduct an activity, the requests did not include the date when approval was granted. We also noted that some sponsors submitted a locally developed profit or loss statement rather than a completion report at the conclusion of the activity to evaluate the results. As stated in the prior audit report, a completion report for an activity involving the sale of items should include the total number of items for sale and cost of each, selling prices, and any remaining inventories to determine whether all funds collected were remitted to the school financial specialist. We also noted that athletic teams conducted online fund-raisers that did not follow the procedures outlined in the September 14, 2017, memorandum from the deputy superintendent of school support and improvement, *Guidelines for Crowd-funding and Other Online Fundraising*. We recommend following the above guidelines to provide for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the activity.

MCPS Form 280-46, *Independent Activity Funds Request for Payment to MCPS Employees for Services (Work) Performed*, is used to request payment from MCPS operating budget funds that will be reimbursed by a school's IAF for work that an MCPS employee performs outside of the employee's regular duty day. Use of MCPS Form 280-46 must be in accordance with MCPS pay rate guidelines and payroll processes (refer to MCPS Regulation DIA-RB, *Payments for Services and Reimbursements for Expenses from School Independent Activity Funds*). We found MCPS Forms 280-46 indicating that MCPS employees had performed work outside of their regular duty day, but the rate of pay was not in accordance with MCPS guidelines. We recommend the review of the process for paying employees for work performed outside of their regular duty day, and pay at the rates in accordance with MCPS guidelines.

#### 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 (repeat)* and *Guidelines for Crowd-funding and Other Online Fundraising*.
- Payments to MCPS employees must follow MCPS pay rate guidelines.

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 Ms. Michelle E. Schultze, director of school support and improvement of secondary schools. Based on the audit recommendations, Ms. Schultze 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.

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. Kimball

Mrs. Camp

Mrs. Chen

Ms. Diamond

Ms. Schultze

Mr. Tallur

Mr. Ikheloa



## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> 2/23/18	<b>Fiscal Year:</b> 2018
<b>School:</b> Northwood HS - 796	<b>Principal:</b> Mildred Charley-Greene <i>MCG</i>
<b>OSSI Associate Superintendent:</b> Dr. Darryl Williams	<b>OSSI Director:</b> Mrs. Michelle Schultze <i>M Schultze</i>
<p><b>Strategic Improvement Focus:</b>          As noted in the financial audit for the period <u>9/1/16-11/30/17</u>, strategic improvements are required in the following business processes :</p> <p>MCPS Purchasing Cards; Crowd Funding and Online Fundraising; MCPS Staff Pay Rate Guidelines for Work Outside Duty Day</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
MCPS Purchasing Card: The principal appointed Ms. Claudette Smith, assistant principal, as designee, to review and approve the school business administrator's online purchases while continuing to review and sign the transactions on paper.	Mildred Charley-Greene, Claudette Smith	Controller's office to grant access to Ms. Smith for online approval	Monthly JP Approver Transaction Report by the 10th day of each month	Principal will discuss in monthly meeting with assistant principal.	On going
MCPS Fundraising Guidelines: The business office uploaded to T-Shared updated fundraising forms with a designated place for date of approval and to evaluate results of each fundraiser along with the P&L; all crowd funding and online fundraisers will adhere to MCPS guidelines and procedures per memo dated September 14, 2017.	Suzy Duong	MCPS Financial Manual	Transfers of funds after evaluation of results	SBA will meet with SFS monthly for fundraiser close out.	On going
MCPS Independent Activity Funds Request for Payment to MCPS Employees for Services (work) Performed: Northwood will continue to adhere to MCPS Regulation DIA-RB by using and submitting MCPS form 280-46 through MCPS Payroll Process using MCPS approved pay rate for professional staff.	Mildred Charley-Greene, Suzy Duong	MCPS Regulation DIA-RB; MCPS Financial Manual	Professional Staff will be paid for work outside of duty day with MCPS approved rate of pay	SBA will continue to use MCPS form 280-46 with the approved pay rate.	On going