


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

September 22, 2017

MEMORANDUM

To: Ms. Heidi L. Slatcoff, Principal
Earle B. Wood Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
February 1, 2016, through July 31, 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. 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 September 15, 2017, meeting with you and Ms. Myrian E. Fuentes, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated March 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

Monthly financial reports are compiled by the school financial specialist for the principal's review. In reviewing the trial balance, the principal shall be aware of any negative balances in IAF accounts. The principal shall investigate to determine the cause to preclude recurrence and take timely corrective action to eliminate such negative balances (refer to *MCPS Financial Manual*,

chapter 20, page 12). We found that the staff appreciation account had a negative balance for several years, and it was erroneously used to record purchases related to a fund-raising activity. We recommend transferring appropriate funds into the staff appreciation account to eliminate the negative balance, and establish a separate fund-raising account to record the sales of remaining inventory for that activity in accordance with the IAF chart of accounts.

A guiding principle for control of school funds is to invest the IAFs in excess of those necessary to meet current monthly expenses in the MCPS Centralized Investment Fund (CIF) (refer to *MCPS Financial Manual*, chapter 7, page 1). The purpose of the CIF is to provide a means for MCPS schools to collectively invest their excess IAFs in order to earn a higher rate of return than would be achieved by investing individually. Our analysis of the school's IAF checking account indicated that there were consecutive months in which the available balance exceeded immediate needs. We recommend investing excess checking account funds in the CIF to earn additional interest income for your school.

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (refer to *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements, prior approval was not consistently obtained. We recommend that MCPS Form 280-54 be prepared by staff and signed by the principal prior to any commitment of IAF funds. Some sponsors could benefit from the use of an annual budget. An annual budget detailing expected income and expenses signed by the principal can be used for prior approval in lieu of MCPS Form 280-54. The budget should be monitored by the school financial specialist, and revised if necessary.

Summary of Recommendations

- IAF should be managed to reduce and eliminate negative account balances.
- Accounting transactions must conform to the IAF chart of accounts.
- IAF activities in excess of current needs should be invested in the CIF to earn interest commensurate with safety.
- Purchases must be approved by the principal prior to commitment of IAFs.(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 Dr. Eric L. Minus, director of school support and improvement of middle schools. Based on the audit recommendations, Dr. Minus 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 administrative secretary to support you with developing a well-defined plan to address the findings.

RWP:KMH: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

Dr. Minus

Mr. Tallur

Mr. Ikheloa



EARLE B. WOOD MIDDLE SCHOOL

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(301) 460-2150 fax (301) 460-2104



Heidi L. Slatcoff
Principal

Roy Liburd
Assistant Principal


Geoffrey Prin
Assistant Principal

Robert Watson
Assistant Principal

October 22, 2017

MEMORANDUM

To: Mr. Roger W. Pisha, Supervisor, Internal Audit Unit

From: Heidi L. Slatcoff, Principal 

Subject: Response to Audit Report of Independent Activity Funds for the Period of February 1, 2016, through July 31, 2017

The purpose of this memorandum is to document the actions that have been taken at Earle B. Wood Middle School to address the recommendations put forth by the Independent Activities Fund (IAF) audit for the period of February 1, 2016, through July 31, 2017. I would like to thank the Internal Audit Office of Montgomery County Public Schools (MCPS) for their support, guidance, and considerable time. The actions that are detailed below are in direct response to specific recommendations documented in the Earle B. Wood audit report, and I believe adequately ensures that Earle B. Wood Middle School is in compliance with the financial policies and procedures directed by MCPS.

- The principal will work collaboratively with Ms. Myrian Fuentes, financial specialist, on a weekly basis to review the account balances and eliminate any negative balances accordingly. All account balances have been adjusted, and there are currently zero negative accounts within the IAF.
- The principal and financial specialist will continue to monitor and use appropriate account numbers for fundraisers that benefit various other IAF accounts. They will make sure that they are aligned and serve the appropriate activity.
- The balance in the school's IAF account will be monitored closely, and at the principal's discretion and judgement, transfers to the Central Investment Fund will be made accordingly. The principal will work collaboratively with the financial specialist to ensure that these transfers are conducted judiciously.

- All staff received directions both written and verbal on August 28, 2017, during pre-service explaining that purchase requests (Form 280-54) must have prior approval by the principal. At the beginning of each school year, these directions and expectations will be provided through a presentation and various written documents. In addition, this information has been included in the staff handbook, and reminders will be sent to staff regularly throughout the school year.

We appreciate the advice and guidance of Ms. Kate Heinrich, who conducted the audit and provided invaluable assistance to our school financial specialist.

HLS:lsg

Copy to:

MCPS Internal Audit Office

FINANCIAL MANAGEMENT ACTION PLAN

School: Earle B. Wood MS - 820

Principal: Heidi L. Slatcoff

Fiscal Year: 2018

OSSI

Associate Superintendent: Dr. Darryl Williams

OSSI

Director: Dr. Eric Minus

Strategic Improvement Focus:

As noted in the financial audit for the period 2/1/16 - 7/31/17, strategic improvements are required in the following business processes :

- IAF should be managed to reduce and eliminate negative account balances
- Accounting transactions must conform to the IAF chart of accounts
- IAF activities in excess of current needs should be invested in the CIF to earn interest commensurate with safety
- Purchase must be approved by the principal prior to commitment of IAF's

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Continue to meet with financial assistant weekly to review various financial documents	Heidi Slatcoff Myrian Fuentes	IAF Account Instructional Materials Account Purchase Request Form	account balances	Heidi Slatcoff Myrian Fuentes Weekly	
Review financial procedures with staff regarding purchase request form	Heidi Slatcoff Myrian Fuentes	Form 280-54 Staff Handbook Financial Cheat Sheet	weekly review of purchase requests	Heidi Slatcoff Myrian Fuentes Weekly	- 8/28/17- reviewed with staff the financial cheat sheet and requirements of purchase request form
Review IAF accounts for negative balances and balances in excess of current needs to determine if investing in CIF is appropriate at that time	Heidi Slatcoff Myrian Fuentes	IAF Account	account balances	Heidi Slatcoff Myrian Fuentes Weekly	- negative balances cleared

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:

10/24/17