


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

May 30, 2017

MEMORANDUM

To: Ms. Galit Zolkower Principal
Highland View Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
February 1, 2014, through March 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 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 meeting on May, 22, 2017, with you and Mrs. Tina P. Errigo, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated April 1, 2014, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2016. 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

The purpose of the IAF chart of accounts (COA) is to provide uniformity for accounting and reporting of IAF transactions (refer to *MCPS Financial Manual*, chapter 20, page 11). We found instances of nonconformity in which some transactions were not classified properly in the

appropriate accounts. For example, we noted expenditures for staff appreciation and meeting refreshments that were recorded in the general account rather than appropriately in Staff Food (account # 20) and Staff Appreciation (account # 21). Recording of transactions that is inconsistent with the COA diminishes the value of your financial records for decision making and also renders them difficult for evaluating the results of activities. We recommend that you record IAF transactions in accordance with the COA.

The use of MCPS purchasing cards must comply with 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 elementary schools. We found that cardholders had not prepared their monthly statements in a timely manner. In addition, they had not submitted their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the principal had not approved all transactions online. We recommend that action is taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with MCPS Form 280-34: *Independent Activity Fund (IAF) Remittance Slip*, to the school administrative secretary on the day the funds are received. We found instances in which staff collecting funds for field trips and other activities held the funds rather than remitting them in a timely manner to the school administrative secretary. We recommend that all staff who collect funds for school activities be reminded of remittance requirements (refer to *MCPS Financial Manual*, chapter 7, page 4).

Summary of Recommendations

- Accounting transactions must conform to the IAF chart of accounts (**repeat**).
- Purchasing card activity must be in accordance with the requirements of the MCPS *Purchasing Card User's Guide*.
- Funds collected by sponsors must be promptly remitted to the school administrative secretary.

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*, please provide a response to the Internal Audit Unit within 30 calendar days of this report through Mr. Matthew A. Devan, director of school support and improvement of elementary 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:CAP:lsh

Copy to:

Members of the Board of Education

Dr. Smith

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Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Devan

Mr. Tallur

Mr. Ikheloa

Financial Management Plan

School: Highland View Elementary School

Principal: Galit Zolkower

OSSI Approval: 

Date of approval: 6/20/17

Director of School Support and Improvement

Findings and Recommendations of School's Audit of Payroll for the Period <u>February 1, 2014</u> through <u>March 31, 2017</u>	Description of Resolution and Person(s) Responsible	Timeline	Evidence of Completion
Accounting transactions must conform to the IAF chart of accounts	Ms. Zolkower and the administrative secretary, Mrs. Tina Errigo have reviewed the chart of accounts; the chart will be revised to reflect current accounts and transactions will be recorded accurately	Summer, 2017	
Purchasing card activity must be in accordance with the requirements of the <i>MCPS Purchasing Card User's Guide</i>	Mrs. Errigo will review and approve transactions in a timely manner.	June, 2017	
Funds collected by sponsors must be promptly remitted to the school administrative secretary	Ms. Zolkower and Mrs. Errigo will conduct a training for sponsors and follow up in writing. Staff members who do not comply will be reminded by email and memo.	Pre-service, 2017	