


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 4, 2019

MEMORANDUM

To: Mr. Jason R. Reinke, Acting Principal
Jackson Road Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2016, through March 31, 2019

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 charged with determining the manner in which funds are raised and expended for activities such as field trips, admission events, and fundraisers. They are responsible for ensuring that the IAFs are administered in accordance with Board of Education policies, MCPS regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with 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 any significant errors or omissions in the financial records are detected.

At our May 23, 2019, meeting with you; Ms. Shannon McLean, school administrative secretary; and Miss Monika C. Roberts, visiting bookkeeper, we reviewed the status of the conditions described in our prior audit report dated March 2, 2016, and the status of present conditions. It should be noted that you became the acting principal effective May 1, 2019, and Ms. McLean became the school administrative secretary March 12, 2019. 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 safeguarding financial records in a secure area of the school. Complete records must be kept and retained until all audits of that period and the subsequent period are completed (refer to *MCPS Financial Manual*, chapter 1, page 2). We found that the IAF

financial documents including monthly bank reconciliations, disbursements with supporting documents, and receipts for the period December 2017 through June 2018, were lost or misfiled, and could not be found by school staff. We recommend initiating a process that ensures school financial records are maintained by school administrative staff only, and that they are stored, well labeled for identification and retrieval to complete required audits, and disposed of under dual control in accordance with MCPS procedures.

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). There is also a requirement for adequate documentation to support the procurement of the goods and services, such as an original invoice, or itemized receipt. Invoices for goods or services must indicate all items were satisfactorily “received”, and marked as “paid” (refer to *MCPS Financial Manual*, chapter 20, page 6). In our sample of disbursements, prior approval was not consistently obtained, MCPS i-receivable payments did not have an approved MCPS Form 280-54, adequate support was missing, and supporting documentation was not always marked paid and/or not always marked to indicate satisfactory receipt of the goods or services. We recommend that MCPS Form 280-54 be prepared by staff and signed by the principal as pre-approval for IAF purchases and MCPS i-receivable payments. We also recommend that support documents be marked to indicate that items or services were received and marked as paid upon disbursement to preclude duplicate payment.

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 learning, achievement, and administration, Office of School Support and Improvement. We found monthly statements that were not promptly prepared, statements with missing receipts, and late review and approval of transactions in the online reconciliation program. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Summary of Recommendations

- IAF must be managed in accordance with effective internal control procedures that include safeguarding financial records until required audits are completed (**repeat**).
- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchase documentation must be adequate to support disbursements.
- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide*.

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. Mary Jane Q. Ennis, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Ennis 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:KMH:ish

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

Dr. Ennis

Mr. Reilly

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: June 4, 2019	Fiscal Year: June 4, 2019
School: Jackson Road ES - 305	Principal: Rosario Paola Velasquez
OSSI Associate Superintendent: Diane Morris	OSSI Director: Dr. Mary Jane Q. Ennis
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>1/1/16-3/31/19</u>, strategic improvements are required in the following business processes :</p> <p>Financial Record Keeping, IAF Requests for Purchase and MCPS Purchasing Card Usage.</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Manage IAF in accordance with effective internal control procedures that include safeguarding financial records until required audits are completed.	Admin Sec	Records, storage, materials, location	Review of procedures for archived record keeping and maintenance	Principal and Assistant Principal/Quarterly	Appropriate records storage
Principal will approve purchase requests prior to procurement.	Admin Sec, Principal, Assistant Principal	MCPS Form 280-54	Review of procedures for purchasing requests	Principal and Admin Sec/Ongoing	All paperwork completed within appropriate time frame
Purchaser will confirm receipt of goods or services prior to disbursement.	Purchaser, Admin Sec	i-receivable	Review of procedures for purchasing requests	Principal and Admin Sec/Ongoing	All paperwork completed within appropriate time frame
Purchase documentation will be adequate to support disbursements.	Admin Sec	i-receivable	Review of procedures for purchasing requests	Principal and Admin Sec/Ongoing	All paperwork completed within appropriate time frame

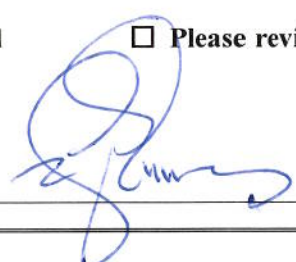
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchase card activity will comply with the MCPS Purchasing Card User's Guide.	Principal and Admin Sec	MCPS Purchasing Card Users Guide	Review of JP Morgan purchasing procedures	Principal and Admin Sec/ongoing and Monthly OSSI/Monthly	Appropriate implementation of JP Morgan purchasing procedures and management of funds
Complete JP Morgan Purchasing Training.	Principal and Admin Sec	Access to PDO course	PDO Confirmation	Principal/Fall	Implementation of practices identified in course
Complete School Finance I and II.	Admin Sec Assistant Principal (if accessible)	Access to PDO Course	PDO Confirmation	Principal/Fall and Winter	Implementation of practices identified in course

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL

Approved Please revise and resubmit plan by _____

Comments:

Director: _____



Date: 7/10/19