


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

March 8, 2019

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
December 1, 2017, through November 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 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 February 1, 2019, meeting with you, Mrs. Linda A. Jasper, assistant principal; Mr. Delmer E. Padgett, assistant principal; Ms. Thuy Trang T. Duong, school business administrator; and Mrs. Timasha B. Adams, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated January 24, 2018, 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 monthly bank statement, bank reconciliation report, and ledger reports no later than the 20th of the month following the close of each month. 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 found two months where the bank reconciliation process was completed late and bank statements that had been signed by the principal, but not dated in order to determine compliance with timeliness requirements. We recommend that this important internal control process include the date of signature on statements and that it occurs on a timely basis.

Aggregate school expenditures of general funds for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per staff member, per fiscal year, without the prior written authorization from the chief financial officer (CFO). The funds are intended to recognize a group of staff members or the entire staff, not a particular staff member (refer to *MCPS Financial Manual*, chapter 20, pp. 5 and 20). We found improved efforts to control these expenditures; however, purchases for individual staff members and a meeting held in June caused total expenditures for Fiscal Year 2018 to exceed the allocation with no authorization from the CFO. We recommend that you adhere to the MCPS requirements for the procurement of staff refreshments and appreciation items.

Use of the MCPS purchasing card must be in accordance with the requirements of 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. The principal or designee must review each cardholder's transactions and approve them by the 10th of the following month, using the online reconciliation program. We found that some cardholders had not promptly reviewed their transactions and the assistant principal had not approved transactions in the online reconciliation program on a timely basis. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Online fund-raising conducted by schools must conform to the procedures outlined in the memorandum (*Guidelines for Crowd-funding and Other Online Fundraising*, September 14, 2017) from the deputy superintendent of school support and improvement, the general counsel, and the chief financial officer (refer to attachment). Although a fund-raiser request form was prepared for athletics, there was not an agreement with the online vendor included for the principal's approval. The completion report did not include the total amount collected and the fees charged to determine the validity of the amount remitted to the school. We recommend that you follow 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.

Summary of Recommendations

- Monthly bank statement review must be signed and dated by the principal with bank reconciliations completed on a timely basis.
- Total combined expenditures for staff appreciation and meeting refreshments may not exceed \$60 per individual staff member, per fiscal year, without prior approval of the CFO. These expenditures should be for all staff or a group of staff, but not for individual staff members.

- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide* (**repeat**).
- Online fund-raising must conform to *Guidelines for Crowd-funding and Other Online Fundraising* (**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 Mrs. Jennifer L. Webster, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mrs. Webster 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 financial staff to support you with developing a well-defined plan to address the findings.

RWP:KMH:lsh

Attachments

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
Mrs. Webster
Mr. Tallur
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY19	Fiscal Year: FY19
School: Northwood HS - 796	Principal: Mildred Charley-Greene
OSSI Associate Superintendent: Dr. Darryl Williams	OSSI Director: Ms. Jennifer Webster
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>12/1/17-11/30/18</u>, strategic improvements are required in the following business processes : MCPS Purchasing Cards; Crowd Funding and Online Fundraising; Monthly Reconciliation Statement; Staff Refreshments</p>	

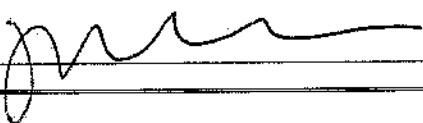
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
MCPS Purchasing Card: The principal appointed Ms. Sara Baudry, assistant principal, as designee, to review and approve the school business administrator's online purchases while continuing to review and sign the transactions on paper.	Mildred Charley-Greene, Sara Baudry	Ms. Baudry will be trained to approve online transactions.	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 will work with the athletic director to ensure all crowd funding and online fundraisers stay in process compliance with MCPS guidelines and procedures per memo dated September 14, 2017.	Suzy Duong; Marco Fuggitti	MCPS Financial Manual	Online vendor agreement signed by the principal will be included with fundraising request prior to approval of fundraiser.	SBA will meet with AD for proper documentations of fundraiser prior to approval and at closeout.	On going
MCPS Staff Refreshments: Northwood will submit MCPS form 281-53 for request to designate a day to do the work of the FY19 SIP in FY18 for refreshment spending. Staff vending will be redirect to IAF 9800.0000 for other staff appreciation.	Mildred Charley-Greene, Suzy Duong	MCPS form 281-53; IAF redirect of funds	Allocation expenditure upon approval; redirect staff vending funds to staff-social committee account.	SBA will continue to use MCPS form 281-53 for approval.	On going; March 2019.
IAF Monthly Reconciliation: The principal appointed Ms. Sara Baudry, assistant principal, as designee, to review and date bank statements in her absence for timely reconciliation.	Mildred Charley-Greene, Sara Baudry, Suzy Duong	Bank Reconciliation will be forward to Ms. Baudry for signature.	Bank reconciliation will have dates and initials for timely reconciliation.	SBA will reconcile bank statements before the 20th of each month.	On going

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: 5/1/19