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:lish

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  
**Director:** Ms. Jennifer Webster

## Strategic Improvement Focus:
As noted in the financial audit for the period 12/1/17-11/30/18, strategic improvements are required in the following business processes:

- MCPS Purchasing Cards
- Crowd Funding and Online Fundraising
- Monthly Reconciliation Statement
- Staff Refreshments

### Action Steps

<table>
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<tr>
<th>Action Steps</th>
<th>Person(s) Responsible</th>
<th>Resources Needed</th>
<th>Monitoring Tools / Data Points</th>
<th>Monitoring: Who &amp; When</th>
<th>Results/Evidence</th>
</tr>
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<tbody>
<tr>
<td>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.</td>
<td>Mildred Charley-Greene, Sara Baudry</td>
<td>Ms. Baudry will be trained to approve online transactions.</td>
<td>Monthly JP Approver Transaction Report by the 10th day of each month</td>
<td>Principal will discuss in monthly meeting with assistant principal.</td>
<td>On going</td>
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<tr>
<td>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.</td>
<td>Suzy Duong; Marco Fuggitti</td>
<td>MCPS Financial Manual</td>
<td>Online vendor agreement signed by the principal will be included with fundraising request prior to approval of fundraiser.</td>
<td>SBA will meet with AD for proper documentation of fundraiser prior to approval and at closeout.</td>
<td>On going</td>
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<tr>
<td>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.</td>
<td>Mildred Charley-Greene, Suzy Duong</td>
<td>MCPS form 281-53; IAF redirect of funds</td>
<td>Allocation expenditure upon approval; redirect staff vending funds to staff-social committee account.</td>
<td>SBA will continue to use MCPS form 281-53 for approval.</td>
<td>On going: March 2019.</td>
</tr>
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<td>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.</td>
<td>Mildred Charley-Greene, Sara Baudry, Suzy Duong</td>
<td>Bank Reconciliation will be forward to Ms. Baudry for signature.</td>
<td>Bank reconciliation will have dates and initials for timely reconciliation.</td>
<td>SBA will reconcile bank statements before the 20th of each month.</td>
<td>On going</td>
</tr>
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