

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

March 29, 2017

MEMORANDUM

To: Ms. Cheryl E. Booker, Principal
Pine Crest Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2014, through January 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 March 24, 2017, with you and Mrs. Donna L. Deane, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated March 7, 2014, 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

Controls over cash receipts need improvement. Staff collecting funds were holding rather than remitting them in a timely manner to the school administrative secretary, and the school administrative secretary was not always making timely deposits to the bank. Infrequent remittances and deposits increase the possibility of a loss of funds. To minimize the risk of loss or theft, and to provide the availability of funds to be utilized for school needs, we recommend

that all funds collected should be remitted to the school administrative secretary daily for prompt deposit in the school's checking account (refer to *MCPS Financial Manual*, chapter 7, pp. 4-5).

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. 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 school support and improvement of elementary schools. We found that some cardholders had not promptly prepared their monthly statements, provided 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.

Summary of Recommendations

- Funds collected by sponsors must be promptly remitted to the school administrative secretary.
- Funds remitted by sponsors must be promptly deposited in the bank by the school administrative secretary.
- Controls over purchasing cards must comply with the procedures outlined in 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*, please provide a response to the Internal Audit Unit within 30 calendar days of this report, with a copy to Mr. Michael D. Bayewitz, 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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Mr. Civin
Dr. Johnson

Dr. Kimball
Mrs. Camp
Mrs. Chen
Ms. Diamond
Mr. Bayewitz
Mr. Tallur
Mr. Ikheloa

Pine Crest Elementary School
Response to Audit Report Findings
April 12, 2017

Pine Crest ES completed an audit for the period of January 1, 2014 through January 31, 2017. The following represents items as needing an upgrade as discussed with Carol Parker-Perez (Auditor), Cheryl Booker (Principal) and Donna Deane (Administrative Secretary) on March 24, 2017.

1. Funds collected by sponsors must be promptly remitted to the school administrative secretary.
 - Upgrade: Procedure of daily remittance of monies was re-iterated and discussed with the Instructional Leadership Team during a meeting held on 3/27/17. A memo reinforcing this issue was also sent to all staff on 4/12/17.

2. Funds remitted by sponsors must be promptly deposited in the bank by the administrative secretary.
 - Upgrade: Administrative Secretary will make prompt deposits at bank as monies are collected. Sponsor receipt will be additionally noted with time that monies are collected. If remittance is received after 4:15pm, monies will be placed in safe overnight with deposit to be made the following (business) day.

3. Controls over purchasing cards must comply with the procedures outlined in the MCPS Purchasing User's Guide.
 - Upgrade: Principal's JP Morgan Card was not initially set-up correctly. This issue has been corrected and monthly transactions/reports have all been reviewed. All purchasing card accounts will be reviewed and approved as the requirements stated in the MCPS Purchasing User's Guide.