


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 27, 2019

MEMORANDUM

To: Ms. Virginia A. de los Santos, Principal
White Oak Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2017, through April 30, 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 June 18, 2019, meeting with you and Mrs. Susan E. Krisch, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated November 21, 2017, 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

Your review of financial reports should alert you to large negative balances that continue to the end of the school year, and prompt you to take timely, corrective action to eliminate the cause of such negative balances (refer to *MCPS Financial Manual*, chapter 20, page 12). We found accounts, including a staff account and field trip accounts, with negative balances at the end of the 2018 school year, which were carried forward and continue to have a negative balance as of this

report end date. We recommend action be taken to manage, reduce, and eliminate these negative balances in order to accurately report the financial position for the IAF.

In reviewing IAF bank statement documents, the statements were not consistently signed and dated by the principal for the checking account and the centralized investment account. In order to strengthen internal control, we recommend that the principal reviews bank statements prior to giving the documents to the independent bank reconciler. Proof of this step, in the month-end process, is verified with the principal signing and dating the bank statements when reviewed.

MCPS purchasing card transactions greater than pre-established dollar limits are not allowed. We found purchases were split to circumvent transaction limits. We noted that some cardholders had not promptly reviewed their transactions in the online reconciliation program and the principal had not approved all transactions by signing monthly statements to verify review or by reviewing transactions online as required. We recommend getting temporary approval for limit increases when necessary by completing MCPS Form 234-20, *Purchasing Card File Maintenance Worksheet*, instead of splitting transactions, and action be taken to correct the review and approval of transactions' process in order to bring purchasing card usage into conformity with the *MCPS Purchasing Card User's Guide*.

Summary of Recommendations

- IAF should be managed to reduce and eliminate negative account balances.
- Monthly bank statements are to be signed and dated by the principal to indicate review prior to giving the statements to the independent bank reconciler.
- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide (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 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 financial specialist to support you with developing a well-defined plan to address the findings.

RWP:KMH:lsh

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. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: June 18, 2019

Fiscal Year: 2019

School: White Oak Middle School

Principal: Virginia de los Santos

OSSI

Associate Superintendent: Diane Morris

OSSI

Director: Dr. Jane Ennis

Strategic Improvement Focus:

As noted in the financial audit for the period 10/1/17 – 4/30/19, strategic improvements are required in the following business processes:
 IAF should be managed to reduce and eliminate negative account balances.
 Monthly bank statements are to be signed and dated by the principal to indicate review prior to giving the statements to the independent bank reconciler.
 Purchase card activity must comply with the MCPS Purchasing Card User's Guide

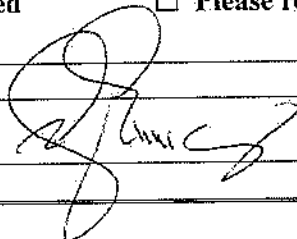
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Negative balances will be more closely monitored during monthly bank reconciliation process to make timely, corrective action to eliminate the cause of negative balances. IAF Accounts will be reviewed and transfers will be made at the end of each fiscal year using the 281-46. Fundraising will need to occur to help offset these negative balances.	FS, Principal	281-46/SFO	SFO Year-to-date Report	Principal/monthly	Transfers will be made using 281-46 - SFO. Evidence that this has happened will be in the SFO year-to-date report each month.
In order to strengthen internal control, we will change our end of month process. FS and reconciler will check for signatures of the principal's review on both Bank Statement and CIF Statements before proceeding with reconciliation.	FS, Principal, reconciler	n/a	Bank Reconciliation	Principal/monthly	Signatures will be found on bank statements in each monthly Bank Statement Folder.
Each MCPS purchasing card holder will receive and review the MCPS Purchasing Card Guidelines. Special attention will be emphasized regarding completing MCPS Form 234-20, <i>Purchasing Card File Maintenance Worksheet</i> . FS will continue to send Outlook reminders to all Pcard holders on a monthly basis regarding their	Cardholders	Purchasing card user's guide MCPS Form 234-20	JP Morgan PaymentNet Approval Log page	Principal, FS, Pcard approval designee	Signatures will be found on all Card holders monthly reports filed in FS office and the JP Morgan site will show both review and approval for all charges each month. MCPS Form 234-20 will be filed in the FS office.

<p>timely review and submission of all monthly reports.</p> <p>To facilitate a timely approval, process a memo will be drafted which will designate a second approver.</p> <p>Principal/designee and FS will review transactions, for every cardholder on a monthly basis paying special attention to tax remittances needed.</p>					
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OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL

Approved Please revise and resubmit plan by _____

Comments: _____

Director:  _____ Date: 8/14/19