


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

January 9, 2013

MEMORANDUM

To: Mrs. Karen L. Lockard, Principal  
Bethesda-Chevy Chase High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
May 1, 2011, through October 31, 2012

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 fundraisers. They are responsible for ensuring that IAFs are administered in accordance with MCPS policies, regulations, and procedures.

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 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.

In our meeting on December 17, 2012, with you, Mr. Luis Carias, business administrator, and Mrs. Jackie Spear, financial specialist, we reviewed the status of the conditions described in our prior audit report dated July 14, 2011, and discussed further actions needed to strengthen the accountability for IAF resources. It should be noted that Mr. Carias was appointed as business administrator effective September 4, 2012. 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 unopened monthly bank statement, bank reconciliation report and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date. We again could find no indication that these important reviews were completed consistently during our audit period. We recommend you initiate a process that ensures this important internal control process occurs monthly (see MCPS Financial Manual, p. 20-8).

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account statement for each month in which transactions have been recorded in their accounts, and be required to verify that transactions have been correctly recorded. We again found not all sponsors were provided monthly reports, and some sponsors did not return these statements. We recommend sponsors be required to review and resolve any discrepancies in their accounts and return the signed statements to the financial specialist. We recommend a procedure be established to ensure that all statements are reviewed and returned (see MCPS Financial Manual, p. 20-9).

MCPS Form 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-5). The purpose of each disbursement must be fully explained on this form in order to properly record expenditures in appropriate accounts, and to ensure that expenditures comply with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our random sample of disbursements, we again found prior approval was not consistently obtained when required. Many disbursements did not have adequate documentation to fully explain the reason for the expenditure, and invoices were not always signed by the receiver. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and that complete documentation be attached to fully explain the reason for the purchase. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining your approval at the beginning of the school year. These budgets should be monitored by your financial specialist and revised if necessary.

We again found staff collecting funds were at times holding rather than remitting them timely to the financial specialist. Remittances received should, in turn, be promptly deposited into the school's bank account. The maximum amount of remittances that may remain on school premises depends on whether they are secured in a combination safe or locked cabinet. Large and infrequent deposits increase the possibility of loss of funds as well as decrease the school's ability to fund activities. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected should be remitted to the financial specialist daily and promptly deposited (see MCPS Financial Manual, p. 7-4). In addition, all remittances on hand must be deposited before each weekend or holiday.



Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We again found that there was a lack of adherence to these guidelines. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. Each fund raiser should be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund raising activity should be recorded in a separate account in the 800 series and a completion report prepared that analyzes the results (see MCPS Financial Manual, p. 20-11).

The yearbook sponsor is required to keep detailed records of the number of books sold, the price charged as well as the number of books distributed free of charge (see MCPS Financial Manual, p. 20-11). The records kept by the yearbook sponsor did not enable us to reconcile the number of books purchased with the number sold, given free, and the remaining inventory. We were therefore unable to determine that all funds generated from this activity had been remitted. We recommend the yearbook sponsor be counseled and assisted with the record-keeping required for this activity. All online reports should be printed and retained with records at the conclusion of sales.

Review of field trip activities revealed that although sponsors are providing cost and fee information as funds are collected and remitted, not all field trip sponsors are providing comprehensive financial information to the financial specialist at the completion of a trip. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and submit the data to the financial specialist when a trip is completed. The record of the names of participants and sums collected provides assurance that all field trip fees have been remitted. We found accounting records for the Boston trip did not match what was turned in by sponsor. We also noted a few field trips where fees collected to cover cost of substitutes were not submitted to MCPS. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above (see MCPS Financial Manual, p. 20-9).

#### Summary of Recommendations

- Monthly financial reports must be signed and dated by the principal to indicate review (repeat);
- Monthly account transaction statements must be provided to sponsors for affirmation of correctness and returned to the financial agent (repeat);
- Expenditure of funds must be approved by the principal prior to procurement (repeat);
- Adequate documentation must be provided to support disbursements ( repeat);
- Receipt of goods or services must be confirmed prior to disbursement (repeat);

- Funds collected must be promptly remitted by sponsors to the financial agent using MCPS Form 280-34 and promptly deposited in the bank (repeat);
- Fundraiser approval authority must be documented and completion reports must provide analysis of results (repeat);
- Yearbook records must be available to reconcile all books sold, given away, and leftover; and
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip.

Other matters were discussed and satisfactorily resolved. We appreciated 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 office within 30 days of this report, with a copy to Dr. Christopher S. Garran, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

Mr. Bowers  
Dr. Statham  
Dr. Schiavino-Narvaez  
Dr. Marks  
Dr. Garran  
Mrs. DeGraba  
Mrs. Milwit  
Mrs. Chen

## Fiscal Management Action Plan

School: Bethesda-Chevy Chase High School  
 Approved by community superintendent: 

Principal: Karen Lockard  
 Date of approval: 3/13/13

#	Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
1-Sponsor Reports	Sponsors of IAF accounts were not getting monthly account reconciliation reports and no process to monitor ones returned.	The School Business Administrator and Financial Specialist will ensure that all sponsors of IAF accounts receive monthly account reconciliation reports and that an Excel tracking file is created to monitor for ones returned or not returned.	Immediate- for January 2013 going forward.	An excel file for financial reports status will be created that contains the fields: sponsor name, activity sponsored, date received and date returned for each monthly account reconciliation.
2-Financial Reports	Monthly reports were not completed by the 20th of the month and not always signed by principal. No independent bank reconciliation was being done.	The School Business Administrator and Financial Specialist will ensure that monthly reports are completed in a timely fashion and signed by the principal. Independent bank reconciliation will be completed using a manual mode up through the end of January 2013 and then the School Funds Online Accounting Software (SFO) will be used from February 2013 going forward.	Immediate for January 2013 going forward.	A physical manila folder or binder will be used to file all monthly reports and signatures signed by the principal.
3-Cash Receipts	Found staff held funds instead of bringing to finance office on a daily basis. Also found that FS held funds over limit and over holiday or weekend. Guidance holds large sum of money and has no source document to verify amount collected for transcripts.	The Financial Specialist will make sure to request source documents from staff and guidance to ensure that they are properly submitting funds with the correct amount. Staff will be reminded to turn in funds on a daily basis. The FS will document when and if a staff member does not complete some or all of these requirements for cash handling. These instances will be kept on file.	Immediate for January 2013 going forward.	The receipts folder in the SFO software will show all of the receipts that staff had made in the form of cash deposits. In the case where the receipt is for activities or events with a specific date of occurrence, the actual date received will be compared to the required date for monitoring timely submissions.
4- Request for a Purchase	Use of Form 280-54 Request for a purchase, used to obtain principal pre-approval to proceed with an intended purchase must be used properly. The purpose of each disbursement must be fully explained on the	Staff needs to be reminded about the correct procedures for following a request for a purchase. Certain sponsors have already begun to deliver budgets to the business office. Going forward	Immediate for January 2013 going forward.	A webinar will be created to inform staff about the proper procedures for submitting a request for purchase. The steps will also be included in the staff shared drive. The FS will bring a



	<p>form in order to properly record expenditures in appropriate accounts, and to ensure the expenditures comply with IAF requirements. Invoices must be signed by the purchaser to indicate satisfactory receipt. Prior approval needs to be consistently obtained when required. Adequate documentation fully explaining the expenditure and signed invoices need to be kept. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining approval at the beginning of the school year.</p>	<p>the FS will continue to monitor and document for completion of disbursement explanations, signature of prior approval and signatures of invoices upon receipt.</p>	<p>discrepancy to the attention of the SBA when a procedure is not followed and that request will be denied until the procedure step is completed.</p>
<p>5- Fundraisers</p>	<p>Review of fundraisers, we again found lack of controls and staff not following procedures. Fundraiser request and completion forms were not being done, approved or reviewed. Found AP signed some forms and this was not delegated in writing. Some were recorded in athletics, club accounts, and class accounts. Funds collected for charities in 2011 still have not been sent. Chips account recorded donations when actually silent auction proceeds and bake sale.</p>	<p>Staff needs to be reminded about the correct procedures for following fundraiser procedures. Funds for different accounts will need to be correctly recorded by the FS going forward.</p>	<p>A webinar will be created to inform staff about the proper procedures for submitting fundraiser funds collected. The steps will also be included in the staff shared drive.</p>
<p>6- Yearbook</p>	<p>We were unable to reconcile all yearbooks sold on line and at the school due to lack of reports from yearbook vendor. No list of who free books went to was in the school files or if any books were leftover at end of FY12. Could not reconcile Ad sales without online report. Profit and Loss only reported the activity at school and not all sales/expenses.</p>	<p>The School Business Administrator is working with the staff yearbook sponsor to ensure that all online yearbook sales reports are properly documented online from Herff Jones' website. All documentation of yearbook sales/expenses will be kept and filed going forward.</p>	<p>The Business Office will receive monthly excel files from the staff yearbook sponsor. The sponsor will download these files from the online vendor Herff Jones. These files will contain the sales details for yearbook sales up to that date.</p>
<p>7- Field Trips</p>	<p>Staff is not turning in complete final field trip accounting forms or equivalent. FS is not reconciling trips to accounts. Music trip to Boston is short money. Some trips only had deposits with no expense. School collected money to pay for subs but never submitted to MCPS.</p>	<p>Financial Specialist needs to ensure that all staff submits field trip accounting forms correctly and that all trips are reconciled to the appropriate account. No trip can be short of money. Money to pay for subs must be submitted to MCPS and not kept by the school.</p>	<p>A webinar will be created to inform staff about the proper procedures for submitting field trip requests collected. The steps will also be included in the staff shared drive.</p>

*Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.*