


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

April 22, 2014

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
November 1, 2012, through December 31, 2013

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 March 31, 2014, 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 January 9, 2013, and discussed further actions needed to strengthen the accountability for IAF resources. 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

While we commended you for progress made, some conditions continue to need improvement. 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 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 (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 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. In addition, invoices were not marked "paid" after the check was issued, and COO approval was not obtained for some purchases which required it. Action is needed to correct these conditions and bring purchasing into conformity with MCPS requirements (see MCPS Financial Manual, p. 20-5).

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. Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the financial specialist along with MCPS Form 280-34, *MCPS Remittance Slip*. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (see MCPS Financial Manual, p.7-4). As previously reported, we found that staff collecting funds continued to hold money rather than remitting to the financial specialist on a daily basis. Remittances were not always promptly deposited into the school's bank account. In addition, some staff members submitted incomplete or obsolete remittance slips. The maximum amount of remittances that may remain on school premises depends on whether they are secured in a combination safe or locked cabinet. 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. In addition, all remittances on hand must be deposited before each weekend or holiday.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms signed by the principal (and associate superintendent, when required), should be retained. The financial specialist should establish a separate account in the IAF for each 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 (see MCPS Financial Manual, p. 20-9). The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. We again found not all sponsors turned in completed data at the conclusion of

each trip, and that data was not being compared to the final account reconciliation report. We also found field trips recorded in club accounts, with no required approvals or permission slips obtained. We recommend all sponsors be required to follow the procedures outlined above. In addition, we recommend staff work with the business office in planning and reconciling field trips.

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). In addition, we recommend staff work with the business office in planning and evaluating fund-raisers.

In addition to the above weaknesses previously identified, additional conditions in controls need to be strengthened. Fund-raising for a charitable organization is prohibited unless it has been approved by the principal and is advertised as such with full disclosure. Appropriately raised contributions should be disbursed to the designated charity as soon as possible after conclusion of the collection time period (see MCPS Financial Manual, p. 20-6). We noted fund-raisers that lacked approval and clear advertisement. We also noted delays in disbursing funds raised for specific organizations. We recommend sponsors of charitable fund-raisers indicate the benefiting organization on the fund raiser approval request form and in all advertisements, and that any money collected be disbursed promptly.

Admission receipts should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. While admissions for athletic events appeared to be well controlled, we found for some non-athletic events that MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, was not used as a reconciliation of tickets issued to tickets returned and recorded receipts. Significant shortfalls in receipts were noted for two dances. We recommend that admission to all events be controlled in accordance with the above cited regulation.

Equipment purchased with IAF become the property of MCPS and are subject to MCPS Regulation EDC-RA, *Control of Furniture and Equipment Inventory*. We noted that equipment purchased by the school had not been added to the MCPS inventory and affixed with barcodes. We recommend that staff review the policy to ensure that equipment is properly coded and the inventory adjusted.

Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise (see MCPS Financial Manual, p. 18-2). Taxable merchandise includes yearbook, school store, fundraiser items, physical education clothing, and other items that become the personal property of the individual making the purchase. We found that sales

tax not remitted on some clothing sales and on online yearbook sales. We recommend that the school work toward full compliance by working with sponsors to determine activities for which sales tax must be collected and remitted, and ensure that prices are set appropriately to include the tax so that activities do not operate at a loss.

Summary of Recommendations

- Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the financial agent (repeat);
- Purchase requests must be approved by the principal prior to procurement (repeat);
- Purchase documentation must be adequate to support disbursements (repeat);
- Purchaser must confirm receipt of goods or services prior to disbursement (repeat);
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made;
- COO approval must be obtained when required;
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the financial specialist (repeat);
- Remittances must be promptly deposited (repeat);
- Field trips must conform to MCPS Regulation IPD-RA (repeat);
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser* (repeat);
- Funds raised on behalf of charitable organizations need complete documentation and prompt disbursement of funds;
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA;
- Furniture and Equipment control must comply with MCPS Regulation EDC-RA; and
- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Mr. Carias and Mrs. Spears. 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, associate superintendent of high schools. The Office of School Support and Improvement will follow up on this audit.

RWP:VAD:sd

Copy to:

Mr. Bowers

Dr. Statham

Dr. Schiavino-Narvaez

Mr. Sanderson

Dr. Garran

Mrs. DeGraba

Mrs. Milwit

Mrs. Chen

Fiscal Management Action Plan

School: Bethesda-Chevy Chase High School (FY 2014)

Principal: Karen L. Lockard

Approved by community superintendent: Date of approval: 6/9/14

#	Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
1-Sponsor Reports	Some Sponsors of IAF accounts were not returning monthly account reconciliation reports statements to the Financial Specialist.(MCPS Financial Manual, p.20-9)	The School Business Administrator and Financial Specialist will continue to 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 May 2014 going forward.	An excel file for financial reports status will continue to be used that contains the fields: sponsor name, activity sponsored, date received and date returned for each monthly account reconciliation.
2-Purchase Reports	<p>Review of use of MCPS Form 280-54, Request for a Purchase, to obtain a principal approval to proceed with an intended purchase (MCPS Financial Manual, p. 20-5) and disbursements, found:</p> <ul style="list-style-type: none"> • prior approval not consistently obtained when required, • many disbursements did not have adequate documentation to fully explain the reason for the expenditure, • invoices were not always signed by the receiver, • invoices were not marked "paid" after the check was issued, • And COO approval was not obtained for some purchases which required it. 	The School Business Administrator and Financial Specialist will continue to ensure that they communicate to staff sponsors the importance of seeking prior approval and providing adequate documentation to explain expenditures. Invoices had been signed by the Business Office upon receipt before purchases are delivered to the staff as there were inconsistent response rates from staff with this request. A spreadsheet with purchases that were made by check instead of a P-card will need to be created to differentiate when to mark an invoice as "paid" if it is paid by check. Certain staff that had made school purchases using their P-card that had required COO pre-approval have been consulted as to the proper steps to take and will not repeat this audit finding.	Immediate for May 2014 going forward.	A physical manila folder or binder will be used to file all monthly reports and signatures signed by the principal. An excel file for purchases made by check will be used to check the status of receipt and payment that contains the fields: item purchased, method of payment, date received, and if invoice has been marked as "paid."

<p>3-Cash Receipts</p>	<p>Audit review of cash receipts found that:</p> <ul style="list-style-type: none"> Staff collecting funds were at times holding instead of remitting them to the finance office on a daily basis with the MCPS Form 280-34, MCPS Remittance Slip (see MCPS Financial Manual, p.7-4). Remittances were not always promptly deposited into the school's bank account. Some staff members were submitting incomplete or obsolete remittance slips. 	<p>The Financial Specialist will make sure to request and check that the proper documents are being submitted by staff, to ensure that they are properly submitting funds with the correct amount and form. 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 for improving training.</p>	<p>Immediate for May 2014 going forward.</p>	<p>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.</p>
<p>4- Field Trips</p>	<p>A review of field trip procedures found that some are not being conducted in accordance with MCPS regulations:</p> <ul style="list-style-type: none"> Trip approval forms signed by the principal (and associate superintendent, when required) should be retained. It was found that some field trips did not have the required approvals or permission slips obtained. Separate accounts in the IAF should be established by the FS for each trip. It was found that some field trips were recorded in club accounts. Sponsors should record cost and fee information for each field trip on MCPS form 280-41, Field Trip Accounting, and submit the data to the Business Office when a trip is completed. (see MCPS Financial Manual, p.20-9). It was found that not all sponsors turned in completed data at the conclusion of the trip, and that data was not being compared to the final account reconciliation report. 	<p>The Financial Specialist needs to ensure that all staff submits field trip accounting forms correctly and that all trips are reconciled to the appropriate account. The Business Administrator will ensure that financial data provided by field trip sponsors is compared to the final account reports.</p>	<p>Immediate for May 2014 going forward.</p>	<p>The steps for proper field trip procedures have been included in the staff shared drive. Staff is also welcomed to stop by for a review of these steps whenever there are any questions. Webinars will also be created to inform staff about the proper procedures for submitting field trip requests collected.</p>
<p>5- Fundraisers</p>	<p>A review of fundraisers, found a lack of controls and staff not following procedures to conform to the Guidelines for Sponsoring an Independent Activity Fund-Raiser. Fundraiser request and completion forms were sometimes not being done, approved or reviewed.</p>	<p>Staff need to be reminded about the correct procedures for following fundraising guidelines. Funds collected for different accounts will be correctly recorded by the Business Office going forward. Funds will not be collected without having the completion report prepared to analyze the results.</p>	<p>Immediate for May 2014 going forward.</p>	<p>The steps for proper fundraising procedures have been included in the staff shared drive. The Activity Request Form has been edited to include a Business Administrator's signature line whenever money is involved. Funds are not collected without having a completion report attached. Webinars will also be created to inform staff about the proper procedures for submitting collected fundraiser fund.</p>

6- Admission Receipts	A review of admission receipts found that while admissions for athletic events appeared to be well controlled, for some non-athletic events the MCPS Form 280-50, Tickets and Cash report of Admissions Manager, was not used as reconciliation of tickets returned and for recorded receipts. Significant shortfalls in receipts were noted for two dances.	Adjustments will be made for non-athletic events to conform in accordance with the MCPS regulation DMB-RA, Control of Admission Receipts.	Immediate for May 2014 going forward.	The steps for proper admission receipts controls will be reviewed with class sponsors organizing non-athletic ticket sales to ensure conformity with the regulation.
7- Procurement Purchases	Equipment purchased with IAF becomes the property of MCPS and are subject to MCPS Regulation EDC-RA, Control of Furniture and Equipment inventory.	Equipment purchased by the school will be added to the MCPS inventory and affixed with barcodes.	Immediate for May 2014 going forward.	We will review this policy with staff to ensure that equipment is properly coded and inventory is adjusted.
8- Retail Sales Tax Reports	Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise per (MCPS Financial Manual, p. 18-2).	Taxable merchandise transactions for our school include yearbook sales, and some fundraiser items on clothing sales. Sponsors will be communicated as to the need for conformity with the sales tax receipts guidelines.	Immediate for May 2014 going forward.	We will review this policy with staff sponsors during the summer to plan for any upcoming sales activities that would need sales tax collections and ensure that sales tax is being properly collected and remitted to the State.

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