

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

March 1, 2017

MEMORANDUM

To: Dr. Donna R. Jones, Principal
Bethesda-Chevy Chase High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2015, through July 31, 2016

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 February 17, 2017, with you and Mrs. Audrey J. Liebeskind, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated October 26, 2015, and the status of present conditions. Absent from this previously scheduled meeting was Mr. Luis F. Carias, school business administrator. It should be noted that the last work day of your previous school financial specialist was May 31, 2016, and the position was vacant until Mrs. Liebeskind assumed her duties effective July 5, 2016. We acknowledged the progress you have made to improve conditions described in our previous report, such as strengthened controls over cash advances and improvements in the unrestricted cash position. 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 commend you for progress made, some conditions continue to need improvement. Cash and checks collected by sponsors and others for IAF activities should be remitted to the school financial specialist in a timely manner. Cash should be counted in the presence of the purchaser, and a receipt that is supported by MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, should be issued. All funds must be deposited promptly, including on the last working day of each month and before each weekend or holiday (refer to *MCPS Financial Manual*, chapter 7, pages 4-5). We found that sponsors sometimes held funds collected rather than remitting them to the school financial specialist on a daily basis. We also noted that the former school financial specialist continued to not always deposit remittances promptly in the bank. To minimize the risk of loss, we recommend that all funds collected should be remitted daily to the school financial specialist for prompt recording and depositing in accordance with MCPS policy and procedures.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Raiser*. We found that there was a lack of adherence to these guidelines. Following these internal control procedures provide 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 business office. Financial transactions for each fund-raising activity should be recorded in a separate account in the fund-raiser series with a completion report prepared that analyzes the results (refer to *MCPS Financial Manual*, chapter 20, page 13). We found that some fund-raiser expenses were erroneously recorded in class or club accounts. In addition, completion reports were not on file or incomplete, and funds raised for charities were not disbursed properly or on time. We recommend that staff review the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser* and establish consistent processes to bring this activity into compliance.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Student Organizations Trips*. Trip approval forms signed by the principal should be retained in the business office. 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 school financial specialist when a trip is completed (refer to *MCPS Financial Manual*, chapter 20, page 10). The record of the names of participants and funds collected strengthens internal controls by enabling the reconciliation of receipts to amounts recorded in the field trip account. Fees assessed to students should be set to closely offset the costs incurred by MCPS. These fees are not designed to create profits for a school (refer to *MCPS Financial Manual*, chapter 20, page 1-2). We found that not all sponsors submitted completed data at the conclusion of each trip, data was not compared to the final reconciliation report, and that large surpluses were initially transferred for a music trip without documentation that all parents had acceded to such donations. We recommend all sponsors be required to follow the procedures outlined above and coordinate with the business office staff for planning and reconciling field trips.

Admission receipts for school events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. These events must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and a perpetual inventory of tickets. We found a lack of compliance with these requirements. The perpetual inventory was not made available for audit. For some ticketed events MCPS Form 280-50 was not on file. Some of the documentations that were on file appeared to have been initiated after the conclusion of the activity rather than when the tickets were issued by the ticket controller to the admissions manager. We also noted that the same ticket series appeared to have been used for multiple performances of the spring play. We recommend procedures for sale of tickets be reviewed with appropriate staff prior to admission events to ensure compliance with MCPS Regulation DMB-RA.

Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise (refer to *MCPS Financial Manual*, chapter 18, page 2). Taxable merchandise includes yearbooks, school store and fund-raiser items, physical education clothing, and other items that become the personal property of the individual making the purchase. We found that sales tax were not remitted on all items and was not properly calculated on the sale of yearbooks. We recommend full compliance by identifying activities for which sales tax must be collected and remitted to ensure that sales prices are established to ensure activities do not generate a loss.

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account history report for each month in which transactions have been recorded in their accounts and be required to verify that transactions have been correctly recorded. We found that reports were not consistently issued and that when issued were not consistently reviewed and returned. We recommend sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the statements should be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all statements are reviewed and returned, with follow-up by the school business administrator and principal, as necessary (refer to *MCPS Financial Manual*, chapter 20, page 10).

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 or authorized designee 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 high schools. We found that most cardholders had not prepared their monthly statements, provided their purchase receipts to the approver, or reviewed their transactions in the online reconciliation program. We also found that not all transactions had

been approved online. As a consequence of these delays, transactions could not be reconciled with the appropriate IAF accounts. The MCPS invoices that included purchasing card charges were not paid in full in a timely manner. We recommend that action be taken to correct these conditions, bring purchasing card usage into conformity with MCPS requirements, and bring reimbursements to MCPS current standards.

Summary of Recommendations

- Funds collected by sponsors must be promptly remitted to the school financial specialist **(repeat)**.
- Funds remitted by sponsors must be promptly verified, receipted, and deposited in the bank by the school financial specialist.
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser (repeat)*.
- Field trips must conform to MCPS Regulation IPD-RA **(repeat)**.
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA **(repeat)**.
- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland **(repeat)**.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the school financial specialist.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*.
- MCPS invoices must be paid in full in a timely manner.

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 days of this report, with a copy to Dr. Debra Munk, director of school support and improvement of high 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:VAD:lsh

Copy to:

Members of the Board of Education
Dr. Smith
Dr. Navarro
Dr. Statham
Dr. Zuckerman
Mr. Civin
Dr. Johnson
Dr. Williams
Mrs. Camp

Mrs. Chen
Ms. Diamond
Dr. Munk
Mr. Tallur
Mr. Ikheloa

Fiscal Management Action Plan

School: Bethesda-Chevy Chase High School (FY 2017)

Principal: Dr. Donna Redmond Jones

Approved by Director of School Support & Improvement: _____

Date of approval: _____

#	Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
1-Cash Receipts	<p>Audit review of cash receipts found:</p> <ul style="list-style-type: none"> Sponsors sometimes held funds collected rather than remitting them to the school financial specialist on a daily basis. Funds collected by sponsors must be promptly remitted to the school financial specialist. The former school financial specialist continued to not always deposit remittances promptly in the bank. Funds remitted by sponsors must be promptly verified, receipted and deposited in the bank by the school financial specialist. 	<p>--The School Business Administrator (SBA) will hold face-to-face training meetings with all sponsors during pre-service week to review procedures. The SBA will publish a list of the wide range of items considered fundraisers and have all sponsors sign the list & the list of procedures from the <i>Guidelines for Sponsoring an IAF Fundraiser</i> at the start of the school year. The SBA will require sponsors to submit a list of anticipated fundraisers / timeline at the start of the year. The SBA will meet with student government (SGA)/class sponsors as well as the leadership class to review fundraising procedures with student leaders. At the start of a fundraiser the SBA will send an email reminder to the sponsor (copied to the supervising administrator & the financial specialist) with a reminder about depositing money daily. The school financial specialist will alert the SBA as soon as money is deposited late, and the SBA will follow-up with the sponsor in person the first time, then alert the supervising administrator for all subsequent policy violations. The business office has a drop box sponsors use to deposit funds into the safe when money is collected after the business office closes. The business office will deposit remittances received to the bank on a daily basis, and inform the principal as well as provide written documentation if they fail to make the daily deposit.</p> <p>--The business office will require that sponsors report to the office with their deposits as soon as possible, but not later than 2:45 p.m. When exceptionally large amounts of funds are collected in one day or funds are collected late in the day (e.g., Homecoming dance tickets sold after school, etc.), the business office will create a memo, documenting the reason that funds had to stay in the safe overnight.</p>	<p>every August; meet with student leaders every September</p> <p>ongoing, throughout the school year</p> <p>ongoing, throughout the school year</p>	<ul style="list-style-type: none"> 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. The SBA will document meetings with sponsors who are not following the proper procedures. Failing to follow proper fiscal procedures could lead to a different sponsor being identified to support the club/activity. The SBA and financial specialist will provide the principal with the names / actions of staff members who consistently fail to follow the procedures for cash receipts or fundraisers.

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2-Fund raisers	<p>Audit review of fundraisers found:</p> <ul style="list-style-type: none"> Some fund-raiser expenses were erroneously recorded in class or club accounts. In addition, completion reports were not on file or incomplete, and funds raised for charities were not disbursed properly or on time. Internal audit recommends that staff review the Guidelines for Sponsoring an IAF Fund Raiser and establish consistent processes to bring these activities into compliance. Fund-raising must conform to Guidelines for Sponsoring and IAF Fund Raiser. 	<p>--The SBA will hold face-to-face training meetings with all sponsors during pre-service week to review procedures. The SBA will publish a list of the wide range of items considered fundraisers and have all sponsors sign the list & the list of procedures from the <i>Guidelines for Sponsoring an IAF Fundraiser</i> at the start of the school year. The SBA will require sponsors to submit a list of anticipated fundraisers / timeline at the start of the year. The SBA will meet with student government (SGA)/class sponsors as well as the leadership class to review fundraising procedures with student leaders.</p> <p>--The fundraiser approval form signed by the SBA, financial specialist and principal must be attached to the activity request form before a date will be secured for the event. The SBA will ensure that the new financial specialist correctly records funds collected. The SBA will set up an automatic reminder to go to the sponsor via Outlook regarding the completion of the fundraiser completion form. <u>No funds will be disbursed</u> from an account if the principal did not approve the fundraiser and/or if a fundraising completion form has not been submitted.</p>	<p>every August; meet with student leaders every September</p> <p>ongoing, throughout the school year</p>	<ul style="list-style-type: none"> Proper fundraising procedures published in the staff shared drive. Maintenance of signed agreements by sponsors to adhere to procedures—to be collected during pre-service week. Fundraising forms made accessible electronically and in hard copy outside of the business office. Activity Request Forms for fundraisers will only receive the SBA's signature when fundraising request has been completed and approved. SBA's documentation of meetings with sponsors to provide continued training on fundraising protocols as needed throughout the year.

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3- Field Trips	<p>Audit review of field trips found:</p> <ul style="list-style-type: none"> Not all sponsors submitted completed data at the conclusion of each trip, data were not compared to the final reconciliation report, and that large surpluses were initially transferred for a music trip without documentation that all parents had acceded to such donations. Field trips must conform to MCPS Regulation IPD-RA. Internal audit recommends all sponsors be required to follow the procedures outlined above and coordinate with the business office staff for planning and reconciling field trips. 	<p>--The SBA will hold all staff accountable to completing field trip accounting forms accurately. The SBA will work directly with all field trip sponsors to prepare a budget for the trip. The SBA will ensure that all trips are reconciled to the appropriate account. The SBA will ensure that financial data provided by field trip sponsors is compared to the final account reports. The SBA will report staff who are not in compliance immediately to the principal.</p> <p>--Sponsors will 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 school financial specialist when a trip is completed (refer to MCPS Financial Manual, chapter 20, page 10). The record of the names of participants and funds are collected by staff members and are used by the business office to strengthen internal controls to enable the reconciliation of receipts to amounts recorded in the field trip account. Fees assessed to students are set to closely offset the costs incurred by MCPS.</p> <p>--The SBA will schedule a meeting with sponsors who do not submit completed data within two weeks of the conclusion of each trip.</p> <p>--When initial letters are sent about field trips, parents will be given the option to donate funds to offset the costs for students who cannot pay for the trip. The SBA will work with all field trip sponsors so that families are charged an amount for the field trip that closely aligns with the cost.</p> <p>--The SBA will hold staff accountable to submitting field trip accounting forms correctly, and the SBA will ensure all trips are reconciled to the appropriate account. All sponsors will follow field trip procedures and coordinate with the business office staff for planning and reconciling field trips. Failure to follow proper procedures will impact the sponsor's ability to serve in that role and/or have field trips approved.</p>	<p>--For every field trip, throughout the year.</p>	<ul style="list-style-type: none"> Proper field trip procedures published in the staff shared drive. Maintenance of signed agreements by sponsors to adhere to procedures—to be collected during pre-service week. Form 280-41 completed accurately for each field trip. SBA's documentation of meetings with sponsors to provide continued training on field trip protocols as needed throughout the year.

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4- Admission Receipts	<p>A review of admission receipts found:</p> <ul style="list-style-type: none"> Admission receipts for school events were not controlled according to MCPS Regulation DMB-RA, Control of Admission Receipts. Although, these events must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, Tickets and Cash Report of Admissions Manager, for tracking and reconciling sales, and a perpetual inventory of tickets, internal audit found a lack of compliance with these requirements. The SBA did not make the perpetual inventory available for audit. For some ticketed events MCPS Form 280-50 was not on file. Some of the documentation on file appeared to have been initiated after the conclusion of the activity rather than when the tickets were issued by the ticket controller to the admissions manager. The same ticket series appeared to have been used for multiple performances of the spring play. Internal audit recommends procedures for sale of tickets be reviewed with appropriate staff prior to admission events to ensure compliance with MCPS Regulation DMB-RA. 	<p>--The SBA will meet with all sponsors as well as the athletic director and assistant athletic directors to review the accounting procedures for ticketed events. At the meeting, all sponsors must submit the anticipated times during the school year when ticket sales will commence for their event.</p> <p>--The athletic director will give the SBA a schedule for the season that highlights each home sporting event.</p> <p>--The SBA will ensure that tickets are prepared for the athletic director at least one week in advance of the event.</p> <p>--The SBA will ensure that these events are controlled with serially numbered tickets.</p> <p>--The SBA will use form 280-50 (and maintain it on file) for tracking and reconciling sales, and maintain a perpetual inventory. The appropriate documentation must be done when the tickets are issued by the ticket controller to the admissions manager. The documentation cannot be done after the event.</p> <p>--The SBA will ensure that different ticket series are used for different events.</p>	<p>--every August</p> <p>--every Aug., Oct., Jan.</p> <p>--weekly</p> <p>-by April 18, 2017</p> <p>-by April 18, 2017</p> <p>-by April 19, 2017</p>	<ul style="list-style-type: none"> PowerPoint and meeting handouts from the SBA's meeting with sponsors, the AD and the assistant ADs regarding steps for proper admission receipts controls Forms signed by the sponsors indicating they understand their obligation to adhere to the regulation. A perpetual inventory that the SBA makes available to internal audit. Form 280-50s which the SBA will make available to internal audit.

#	Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
5- Retail Sales Tax Reports	<p>A review of retail sales tax found:</p> <ul style="list-style-type: none"> Sales tax was not remitted on all items and was not properly calculated on the sale of yearbooks. As a result of tax not being collected on taxable sales and remitted to the Comptroller of Maryland, internal audit recommends full compliance by identifying activities for which sales tax must be collected and remitted to ensure that sales prices are established to ensure activities do not generate a loss. 	<p>--The SBA and the new school financial specialist will identify all items sold that are taxable merchandise. These items include, but are not limited to yearbooks, fund-raiser items, PE uniforms and any other items that become the personal property of those making the purchase. The SBA will meet face-to-face with each of the sponsors who annually sell items requiring sales tax so that the appropriate price can be collected.</p> <p>--The SBA will revise the school's fundraising request form to highlight items that require sales tax & provide written directions that the sponsor must follow from the start of the fundraising process.</p> <p>--The SBA will meet with the new school financial specialist, yearbook sponsor and the sales representative for the yearbook company to clarify all financial processes, including the need to charge sales tax in setting the price of the yearbook.</p>	<p>-By June 2017</p> <p>-By May 15, 2017</p> <p>-By June, 2017</p>	<ul style="list-style-type: none"> PowerPoint and meeting handouts from the SBA's pre-service week meeting with sponsors to review the policy. Sponsors' lists of any anticipated fundraisers requiring them to collect sales tax. Sales tax will be properly collected and remitted to the State of Maryland. The SBA and financial specialist will meet with staff selling taxable merchandise to clarify the process for collecting sales tax well before the start of the fundraiser, as a part of the fundraising approval process.
6- Sponsor Account History Reports	<p>A review of sponsor account history reports found:</p> <ul style="list-style-type: none"> The former school financial specialist did not consistently provide a monthly account history report to sponsors of school activities which involve the collection or disbursement of independent activity funds. When the former school financial specialist did provide these monthly reports, sponsors did not consistently verify that transactions have been correctly recorded. Internal audit recommends sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account 	<p>--The new school financial specialist will provide monthly account history reports to sponsors. The new financial specialist will provide one reminder to sponsors who do not return the reports signed. If the reports are not returned after one reminder, the SBA will follow-up in person. If the reports are still not returned, the principal will meet with the sponsor and no money will be disbursed from the sponsor's accounts.</p> <p>--During pre-service week, sponsors will sign a form to verify their understanding and commitment to comply with the procedure outlined above.</p>	<p>--Monthly</p> <p>--every August</p>	<ul style="list-style-type: none"> PowerPoint and meeting handouts from the SBA's pre-service week meeting with sponsors to review the policy. Signed monthly reports will be maintained on file and accessible to internal audit.

	<p>have been correctly recorded. After any discrepancies are resolved, the statements should be signed and dated by the sponsor to attest to their accuracy.</p> <ul style="list-style-type: none"> • A procedure should be established to ensure that all statements are reviewed and returned, with follow-up by the school business administrator and principal, as necessary (refer to MCPS Financial Manual, chapter 20, page 10). 			
7- Purchasing Card Reports	<p>A review of purchasing card reports found:</p> <ul style="list-style-type: none"> • Cardholders were not using the online reconciliation program to identify, describe, and review transactions. This must be done by the 5th of every month. • Cardholders were inconsistently printing and providing their monthly statements to the principal (thru the SBA), with all purchase receipts and invoices attached. • Cardholders were inconsistently reviewing their transactions in the online reconciliation program. • The cardholder's transactions were not reviewed or approved by the tenth of the following month, using the online reconciliation program. • As a consequence of these delays, transactions could not be reconciled with the appropriate IAF accounts. • The MCPS invoices that included purchasing card charges were not paid in full in a timely manner. Internal audit recommends that action be taken to correct these conditions, bring purchasing card usage into conformity with MCPS requirements, and bring reimbursements to MCPS current standards. 	<p>--The principal will collect the monthly landscape reports from all cardholders by the 5th of each month. The SBA will follow up with any staff members who have not turned in their monthly landscape reports. If the reports still have not been returned in a timely fashion, the principal will follow up and the cardholder's ability to make purchases will be suspended.</p> <p>--The principal (or designee) will approve transactions by the 10th of the following month.</p> <p>--Cardholders who fail to comply with the procedures will no longer have purchasing cards and/or have their non-compliance documented as a part of the Professional Growth System (PGS).</p> <p>--The SBA will arrange training at the start of the school year which will be required for all new purchasing cardholders as well as any returning purchasing cardholders who had any violation of the purchasing card regulations.</p>	<p>--The fifth of every month.</p> <p>--The tenth of every month.</p> <p>--ongoing, as needed</p> <p>--every August</p>	<ul style="list-style-type: none"> • PowerPoint and meeting handouts from the SBA's pre-service week meeting with staff who have purchasing cards to review the policy. Signed forms from staff who have purchasing cards, indicating that they understand and will comply with the procedures. • Transactions that have been reviewed online by the 5th of each month, along with landscape reports and receipts from all cardholders. • Transactions that have been approved online by the principal (or designee) by the 10th of the following month. • The business office will meet with staff not returning MasterCard reports in a timely manner for continued training on an as needed basis throughout the year.

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