


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

March 5, 2012

MEMORANDUM

To: Dr. Judith F. Lewis, Principal  
Burning Tree Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
August 1, 2008, through November 30, 2011

This audit report presents the results of our examination of the financial records, reports, and internal accounting controls relating to the Independent Activity Funds (IAF) for your school for the period designated above. The examination was made to evaluate the adequacy of accountability over these funds, compliance with applicable Montgomery County Public Schools (MCPS) policies and procedures, and effectiveness of IAF management.

In our meeting on January 31, 2012, with you and Mrs. Cathleen Shaub, administrative secretary, we reviewed conditions described in our previous report dated October 2, 2008, and further actions needed to strengthen the accountability for IAF resources. It was noted that the substantial period of our audit was prior to your appointment as principal effective July 1, 2011, and that your attendance at the December 2011 financial training program provided a timely update in IAF accountability requirements. We appreciated your awareness of steps needed to attain full compliance with these requirements. Our findings and recommendations appear below.

Findings and Recommendations

Our comments included the critical role of the principal in meeting MCPS internal control requirements, particularly the importance of your receipt of the monthly checking account statement unopened. We advised that the review of the deposits and checks paid provides insight into the frequency of deposits and use of school funds. Your review of the monthly General Ledger Report provides an overview of school financial activity and will alert you to matters warranting further inquiry. Your signature and date of review on these documents as well as the checking account reconciliation will show that this significant internal control is in effect.

Internal control would be further strengthened by activity sponsors being provided a monthly activity account reconciliation report showing all transactions recorded in their account for the month. Sponsors should reconcile the statements to their records, confirm the accuracy of the statement, and return a signed copy to the administrative secretary. Any differences should be promptly resolved. This process confirms that transactions have been accurately recorded in the IAF records. These statements should be retained until the next audit. This critical internal

control serves to protect the school as well as sponsors and the administrative secretary. We discussed instances where the absence of this control feature resulted in erroneous entries being recorded in field trip accounts with the reported results not being correct. Greater rigor in recording of transactions would permit closer monitoring of the pricing of trips to ensure fees are commensurate with expenses.

In order to properly control receipts, cash and checks collected by sponsors should be turned in promptly and intact to the administrative secretary along with a remittance advice. Cash should be counted in the presence of the remitter, and a receipt that is supported by the remittance advice should be issued promptly. Once written, receipts must not be altered or erased. All parts of voided receipt forms should be retained. We found that receipts were being voided at month end and rewritten in the next month so that the report would not show "Cash on Hand". This is an unacceptable practice which dilutes internal control and we advised that it be immediately discontinued. It appears that this practice resulted from a misunderstanding of requirements; we stressed the need for adoption of the procedures in the MCPS Financial Manual, pp.7-3 and 7-4 to improve accountability. Also, the preparation of funds for deposit should be accomplished in a non-public area and free from distraction.

Disbursements are being approved in advance using MCPS Form 280-54, *Request for a Purchase*. To maintain the progress made, this warrants reinforcement at the beginning of each school year. After the purchase is completed, the recipient of the goods or services should submit the invoice or documented evidence of purchase noted to indicate the satisfactory receipt of the goods or services, to the administrative secretary. Form 280-54 alone is not considered support for a disbursement. Invoices or other documentation supporting purchases should be canceled or stamped "paid".

Controls for purchases completed using the MCPS purchase card differ from the above. Although pre-approval is presumed up to the established limit on each card member, each purchase must be supported by a receipt which confirms that goods or services have been received. Each purchase must be recorded on a monthly log that has these receipts attached and the log must then be approved and signed by the principal. We found that purchasing card logs were not submitted to the principal for approval with receipts attached, and that documentation supporting purchases had not been marked "paid". We advised that when the principal has purchase card transactions, the principal's log should be submitted to the community superintendent for approval. We recommend purchasing card members be required to present monthly logs of purchases for the approval and signature of the principal (see the MCPS *Purchasing Card User Guide*).

Sponsors of field trips should keep records of the names of trip participants and the amount collected from each in order to provide this information to the administrative secretary when all fees have been collected. MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, should be used for this purpose. We found the data required to enable reconciliation of field trip accounts was not always provided. In addition, as commented upon above, sponsors were not required to affirm the correctness of amounts recorded in their accounts. This contributed to

erroneous entries not being identified and corrected and reports that did not correctly reflect the receipts and expenses incurred for the trip.

#### Summary of Recommendations

- Monthly account transaction statements must be provided to sponsors for affirmation of correctness and returned to the administrative secretary;
- Funds collected must be remitted promptly and intact by sponsors to the administrative secretary using MCPS Form 280-34;
- Receipt of goods or services must be confirmed prior to disbursement;
- Invoices and receipts must be annotated as paid to indicate disbursement was made;
- Purchase card transactions must include supporting documentation that is reviewed and approved by the principal; 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 Performance will follow up on this audit.

RWP:HK:sd

Copy to:

Mr. Bowers  
Dr. Lacey  
Mr. Talley  
Dr. Garran  
Mrs. DeGraba  
Mrs. Milwit  
Mr. Doody

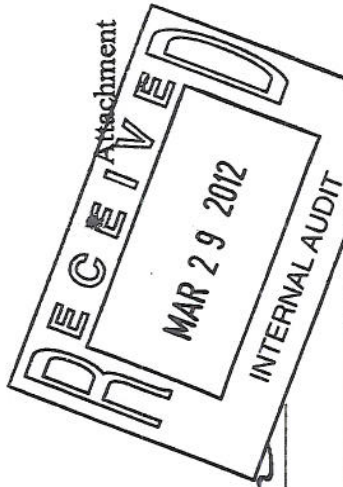
**Fiscal Management Action Plan**

School: **Burning Tree Elementary**

Principal: **Judith F. Lewis**

Approved by community superintendent: \_\_\_\_\_

Date of approval: 3/29/12



Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Activity Sponsors not provided a monthly account reconciliation report to check, sign, and return to the admin. Secretary</p>	<p>Upon receipt of this audit, Cathy Shaub will now provide a monthly account reconciliation report to activity sponsors. They will check for accuracy, sign their agreement, and return the report to Cathy. She in turn will keep notebook of all signed reports. Dr. Lewis will check the notebook periodically.</p>	<p>March, 2012, and each month thereafter no later than the fifth of the succeeding month.</p>	<p>Signed and returned forms</p>
<p>Cash and checks not turned in promptly to administrative secretary with a remittance advice. Receipts written to remittance advice need to be issued promptly. Receipts were voided at month end and rewritten at the next month to avoid "Cash on Hand." Preparation of funds for deposit taking place in the main office.</p>	<p>Form 280-34 is currently in use when funds are turned in. Teachers have been requested to turn in all forms by lunch, or no later than 1:30 to allow time for preparation of deposits. Cathy Shaub will now prepare funds for deposit in the principal's or assistant principal's office, as she has no other private space. Dr. Lewis will share the results of this audit with the leadership team to help them understand the importance of prompt submission.</p>	<p>Dr. Lewis will meet with the team in March. Upon receipt of this audit, also in March, Cathy Shaub will prepare all deposits in an administrator's office.</p>	<p>Completed Forms 280-34 Completed deposit slips</p>
<p>Although disbursements are being approved in advance using Form 280-54, receipts are not signing the receipts submitted to the administrative secretary. Invoices or other documentation supported purchases should be stamped "Paid."</p>	<p>Dr. Lewis will meet with the staff to ensure that receipts are signed when they are turned in. Cathy Shaub will stamp invoices or receipts "Paid" when they are received.</p>	<p>Staff Meeting in March. Invoices will be stamped beginning in March, 2012.</p>	<p>Forms 280-54, signed receipts, and stamped invoices.</p>
<p>Purchasing Card monthly logs with receipts attached have not been submitted to the principal for approval and signature, nor had documentation supporting receipts marked "Paid." Principal's logs should be submitted to</p>	<p>Cathy Shaub will prepare monthly AMEX purchasing logs and submit them to Dr. Lewis for approval and signature. When Dr. Lewis has purchase card transactions, the log will be submitted to Dr. Garran.</p>	<p>Beginning in March with the receipt of the audit, and monthly thereafter.</p>	<p>Copies of monthly logs</p>

<p>the commu. superintendent for approval.</p>	<p>Sponsors will use Form 280-41 to document names of trip participants and the amount collected from each. Ms. Shaub will require them to sign the reconciliation reports to ensure accuracy of records.</p>	<p>Beginning with the receipt of this audit in March, and continuing thereafter.</p>	<p>Signed Reconciliation Reports Forms 280-41.</p>

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