MEMORANDUM

To: Mrs. Kathryn D. Bradley, Principal
Bannockburn Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2013, through September 30, 2015

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 November 3, 2015, with you and Mrs. Tina Errigo, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated May 9, 2013, 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

Although we noted improvement in the pre-approval process for purchases since our previous audit, our sample of disbursements revealed additional improvements in controls are needed. All disbursements must be supported by adequate documentation which must be certified by the
recipient that goods or services have been satisfactorily delivered. All goods purchased must be delivered only to the school. Invoices should be marked or stamped “Paid” at the time the payment is made. (see MCPS Financial Manual, Chapter 20.)

We found that cash handling procedures did not conform to those specified in Chapter 7 of the MCPS Financial Manual. Cash and checks collected by sponsors and other school staff must be remitted promptly for deposit. Every receipt of funds must be accompanied by MCPS Form 280-34, Independent Activity Fund (IAF) Remittance Slip, which must be attached to the corresponding receipt. All receipts constituting a bank deposit must be attached to the copy of the deposit advice provided by the bank.

Summary of Recommendations

- Purchase documentation must be adequate to support disbursements;
- Purchaser must confirm receipt of goods or services prior to disbursement;
- Purchase invoices and receipts must be annotated as “Paid” to indicate disbursement was made; and
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the administrative secretary.

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 Mr. Matthew A. Devan, director of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:LS:sd

Copy to:
Dr. Zuckerman
Dr. Statham
Dr. Navarro
Dr. Kimball
Mr. Devan
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit
December 1, 2015

MEMORANDUM

To: Mr. Roger Pisha, Supervisor, Audit Unit

From: Kate Bradley, Principal

Re: IAF Audit Response for the period April 1, 2013 through September 30, 2015

The attached is a response to the findings and recommendations to the Report on the Audit of Bannockburn Elementary School's Independent Activity Funds (IAF) for the period of April 1, 2013 through September 30, 2015. Please note that I took over as principal of Bannockburn on July 1, 2014, and did not work at the school for 15 months of the audit coverage.

The attached fiscal management action plan has been developed to address the findings and recommendations in order to ensure consistent compliance with all MCPS financial policies and procedures.

Thank you for your time and effort to assist us in maintaining effective fiscal practices. Please let me know if you have further questions.

Attachment

Cc: Mr. Matt Devan
    School File
Fiscal Management Action Plan

School: Bannockburn Elementary School
Principal: Kate Bradley
Approved by community superintendent: ____________________ Date of approval: ________________

<table>
<thead>
<tr>
<th>Findings and Recommendations of School's Financial Report</th>
<th>Description of Resolution And Person(s) Responsible</th>
<th>Timeline</th>
<th>Evidence of Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase documentation must be adequate to support disbursements</td>
<td>Inform all staff through staff meeting, newsletters, email, Staff Handbook that when purchases are made all purchasers must submit an original hard copy receipt to be attached to the preapproved Form 280-54. Person Responsible: Purchaser, Administrative Secretary</td>
<td>In practice beginning December 2015 As needed</td>
<td>Original hard copy of all receipts submitted and attached to pre-approved Form 280-54</td>
</tr>
<tr>
<td>Purchaser must confirm receipts of goods or services prior to disbursement</td>
<td>Inform all staff through staff meetings, newsletters, email, Staff Handbook that purchases must be delivered to school address. Pre-approved purchases will only be reimbursed when delivered to school. Upon delivery to the school, a detailed billing document will be reviewed and verified and marked “received,” by the administrative secretary. The receiver will then initial acceptance of goods. Person Responsible: Administrative Secretary, Office Staff, Purchaser</td>
<td>In practice beginning December 2015 As needed</td>
<td>Signed and stamped “received” delivery documentation with school address verified.</td>
</tr>
<tr>
<td>Purchase invoices and receipts must be annotated as “Paid” to indicate disbursement was made.</td>
<td>All supporting documentation 280-54 must be attached with reimbursement check. Once check has been signed, the administrative secretary will stamp original receipt “paid.” Documents will be filed with disbursements for the month. Person Responsible: Administrative Secretary</td>
<td>In practice beginning December 2015 As needed</td>
<td>Completed Form 280-54, with documentation of purchase, and receipt of purchase, (stamped as “paid”)</td>
</tr>
<tr>
<td>Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the administrative secretary and promptly deposited.</td>
<td>Staff will be trained at staff meeting (12/01/15) Cash collected will be counted in front of the receiver and a receipt will be issued at that time. Cash will be submitted by sponsors on a daily basis, and the administrative secretary will make deposits, to include on the last working day of each month and before each weekend or holiday. Person Responsible: Classroom teachers, Sponsors, and Administrative Secretary</td>
<td>Daily sponsor submission of funds Immediate receipt of funds Deposits daily as needed, last working day of the month, and before holidays and weekends.</td>
<td>Completed Forms 280-34; Receipts of funds submitted; Bank deposit statements.</td>
</tr>
</tbody>
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Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.