MEMORANDUM

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

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

Subject: Report on Audit of Independent Activity Funds for the Period
August 1, 2016, through December 31, 2017

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. School principals are the fiduciary agents for the IAFs and are 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 January 29, 2018, meeting with you, Mrs. Patricia A. Gamage, substitute school business administrator; Mrs. Deborah L. Teicher, school administrative secretary; and Mrs. Audrey J. Liebeskind, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated March 1, 2017, and the status of present conditions. It should be noted that Mrs. Teicher has been selected to fill your vacant school business administrator position effective February 12, 2018. It should also be noted that your former school business administrator was unavailable to perform his duties at your school for approximately 29 percent of the work hours available during this audit period. 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

MCPS Form 280-54, Independent Activity Funds Request For A Purchase, is used to obtain principal approval to proceed with an intended purchase (refer to MCPS Financial Manual, chapter 20, page 4). 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. The school financial specialist will mark the documentation as “paid.” In our sample of disbursements, we found instances in which controls over purchases were weakened that included missing documentation or not adequate to assure the school benefited from the purchase, MCPS Form 280-54 not signed by the principal, documentation supporting purchases not stamped or marked “paid,” and documentation not annotated by recipient to indicate purchased goods or services were satisfactorily received. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAFs. We recommend that MCPS 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 school financial specialist and revised if necessary.

All equipment acquired by a school, whether by gift or by purchase, becomes the property of MCPS (refer to MCPS Financial Manual, chapter 20, page 15). MCPS Regulation EDC-RA, Control of Furniture and Equipment Inventory, provides guidance for adjusting the school inventory to account for property acquisitions and disposals. We found several items of equipment were acquired using IAF that were not added to the school inventory as required. We recommend appropriate staff become familiar and comply with property control procedures.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS Purchasing Card Users 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 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 high schools. We found that some cardholders had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the principal, or designee, and the director had not approved all transactions online. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise. 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 (refer to MCPS Financial Manual, chapter 18, page 2). We noted sales tax was not remitted for the sale of all items that became the personal property of an individual. We
recommend that the school work toward full compliance by working with sponsors to determine activities for which sales tax must be collected and ensure that prices are set appropriately to include the tax so that activities do not operate at a loss.

Sponsors of field trips should have a complete class or club roster of student names and annotate how much each student paid, date paid, students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be submitted to the finance office at the conclusion of each trip, and compared to remittances recorded in the trip account history report. The data also should be used to estimate future trips (refer to MCPS Financial Manual, chapter 20, page 10). We found that not all sponsors are turning in completed data at the conclusion of each trip, and that data is not being compared to the final account history report. We recommend that trip sponsors use MCPS Form 280-41, Field Trip Accounting, or its equivalent, and provide complete data at the conclusion of each trip. This data must be reconciled with remittances recorded in activity accounts. We further recommend sponsors use the field trip calculator to insure established fees are commensurate with trip expenses.

All local revenue-based summer school programs (LSPs) must be reviewed and approved by the chief financial officer (CFO) to ensure that the school’s plan is in accordance with MCPS curriculum guidelines and to ensure that LSPs are designed to be self-supporting, with funds collected sufficient to cover all operational and administrative expenses (refer to CFO memorandum, Local Revenue-based Summer School Program Planning and Approval Process, February 16, 2017). We found that you offered various summer programs to your students and had not submitted any plans for approval. Your summer programs are funded by your educational foundation and PTSA. Staff were paid on MCPS form 280-46, Independent Activity Funds Request for Payment to MCPS Employees for Personal Services (Work) Performed, at a rate of $50 an hour rather than the rate of $60.71 specified in the CFO’s memorandum. We recommend reviewing the memorandum sent annually from the CFO to all principals to ensure compliance with the planning and approval process for LSPs.

MCPS Form 280-46 is used to request payment from MCPS operating budget funds that will be reimbursed by a school’s IAF for work that an MCPS employee performs outside of the employee’s regular duty day. Use of MCPS Form 280-46 must be in accordance with MCPS pay rate guidelines and payroll processes (refer to MCPS Regulation DIA-RB, Payments for Services and Reimbursements for Expenses from School Independent Activity Funds). We found MCPS Form 280-46 indicating that MCPS employees had performed work outside of their regular duty day, but the rate of pay was not in accordance with MCPS guidelines. We also found that the services were for tutoring students who attended your school which is in violation of MCPS Regulation GCA-RA, Employee Conflict of Interest. We recommend that you review your process for paying employees for work performed outside of their regular duty day and pay in accordance with MCPS guidelines. We also recommend that you follow all guidelines stated in MCPS Regulation GCA-RA, Employee Conflict of Interest.

MCPS guidelines state that outside organizations are not permitted to pass funds through a school IAF (refer to MCPS Financial Manual, chapter 20, page 16). We found that receipts and disbursements for an outside organization, Lazarus Leadership Fellows Program, were being
processed through the IAF. The founder of this program, a non-MCPS employee, was listed as the IAF account sponsor in the School Funds Online accounting system. Activity in this account included recording donations, providing stipends to students participating in the summer program, and reimbursement of program expenditures. We recommend that either all account activities of the Lazarus Leadership Fellows Program be removed from the school's IAF accounts, or that you work with the chief operating officer (COO) to develop a memorandum of understanding as to how this program will be operated to comply with MCPS guidelines.

A memorandum, *Update on External Exam Fee Reductions/Waivers for Fiscal Year 2017*, issued March 23, 2017, by the CFO provided guidelines for management and accounting of external exam fees paid by students who are eligible for waivers and fee reductions. We found a lack of adherence to these guidelines. We were unable to reconcile amounts collected from students receiving partial hardship waivers to actual receipts. In addition, the school used Total Registration (TR) for Advance Placement (AP) exam registrations and collection of exam fees, and data was inconsistently recorded in the TR system so that we could not reconcile total receipts to the records.

Also, students were charged an additional five dollars over and above the nine dollar administrative fee to cover costs of TR credit card and processing fees, while the AP exam account had a large surplus from previous years. This excess balance appears to be the result of lack of refunds issued to students who paid the fee for exams but did not take the exams, and expenses related to the administration of the exams that were less than the fees collected. We recommend that refunds be issued to students who paid for but did not take the exams, that excess funds be used for items benefiting the AP testing activity, and that consideration be given to reducing the additional processing fee per exam. In addition, we recommend that you work with staff to ensure that procedures are in place to effectively manage external exam activities, and to ensure that waivers reported are accurate and well documented.

**Summary of Recommendations**

- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Purchase documentation must be adequate to support disbursements.
- Furniture and Equipment control must comply with MCPS Regulation EDC-RA.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*.
- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland (repeat).
- 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 (repeat).
- Summer school programs must comply with MCPS guidelines.
- Work performed outside the regular duty day must comply with MCPS guidelines.
- Non-school affiliated organizations should not pass funds through school IAF.
- The excess balance in the AP exam account should be used to refund students who paid but did not take exams, pay for items benefiting AP testing, and/or reducing fees.
• Data recorded for collection of external exam fees and waivers must be consistently recorded so that collection records can be reconciled to receipts.

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, using the attached form, please provide a written response to the Internal Audit Unit within 30 calendar days of this report. In your response, please share a detailed plan for addressing these issues, including appropriate staff training and support.

Prior to returning your completed audit action plan, please contact Mrs. Jennifer L. Webster, director of school support and improvement of secondary schools. Based on the audit recommendations, Mrs. Webster will indicate whether she will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school financial agent to support you with developing a well-defined plan to address the findings.

RWP:MJB:ls

Attachment

Copy to:
- Members of the Board of Education
- Dr. Smith
- Dr. Navarro
- Dr. Statham
- Dr. Zuckerman
- Mr. Civin
- Dr. Johnson
- Dr. Kimball
- Mrs. Camp
- Mrs. Chen
- Ms. Diamond
- Mr. Tallur
- Mrs. Webster
- Mr. Ikheloa
# Financial Management Action Plan

**Report Date:** February 28, 2018  
**Fiscal Year:** 2017

<table>
<thead>
<tr>
<th>School: Bethesda-Chevy Chase High School</th>
<th>Principal: Dr. Donna Redmond Jones</th>
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<tbody>
<tr>
<td>OSSJ</td>
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<td>Associate Superintendent: Dr. Darryl Williams</td>
<td>Director: Jennifer Webster</td>
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**Strategic Improvement Focus:**

As noted in the financial audit for the period 8/1/16-12/31/17, strategic improvements are required in the following business processes:

1. Purchases – principal signed approval prior to procurement, purchaser confirms receipt of goods/services prior to disbursement, purchase documentation must be adequate to support disbursements.
2. Purchase Card – activity must comply with MCPS User's Guide
3. Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.
4. Field Trip – records must provide comprehensive data to account for all students eligible to participate and to reconcile funds collected
5. Summer School/Work Outside Duty Day – Must comply with MCPS Guidelines.
6. Furniture and Equipment – Furniture and equipment control must comply with MCPS Regulation EDC-RA
7. AP – The excess balance in the AP account should be used to refund students, pay for items benefitting AP testing, or reduce fees.
8. Data recorded for collection of external exam fees and waivers must be consistently recorded so that the collection records can be reconciled to receipts.

<table>
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<tr>
<th>Action Steps</th>
<th>Person(s) Responsible</th>
<th>Resources Needed</th>
<th>Monitoring Tools / Data Points</th>
<th>Monitoring: Who &amp; When</th>
<th>Results/Evidence</th>
</tr>
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| #1a. During pre-service all staff will receive printed materials detailing all required steps for purchases including form 280-54. These guidelines and link to 280-54 will also be posted in a shared file for staff. | All Staff  
Financial Specialist (FS)  
School Business Administrator (SBA)  
Principal | 280-54  
BCC Financial Guidelines | Staff to complete 280-54, FS to keep copy for 280-54, original 280-54 must accompany receipts | Staff - before purchase, FS will confirm availability of funds, after confirmation principal will sign | All required documentation and proof of funds available prior to procurement of goods. |
| #1b. Upon request for reimbursement staff will provide pre-approved 280-54 and original receipt marked GOODS/SERVICES PROVIDED and will sign receipt | Staff | 280-54, receipts | 280-54 with original receipts signed that goods were received by staff member requiring reimbursement | FS - will collect documentation | No funds will be disbursed without proper documentation |
| #1c Check will be processed with adequate documentation | FS  
SBA  
Principal | 280-54, receipts | FS will process check | FS will only process if statement and signature provided on receipt | Upon return of signed check, FS will stamp paid on original invoice/receipt before check is disbursed. |
| **#2a** Ensure all cardholders are receiving JP Morgan notifications | Cardholder SBA | Computer access to JP Morgan | JP Morgan | SBA – monthly | SBA to monitor staff accessing JP Morgan reconciliation. |
| **#2b** Monthly reminders to all cardholders to review purchases and turn in landscape reports on time. | SBA | Outlook | Review of JP Morgan | Cardholders SBA | With monthly reminders all landscape reports will be turned in on time with proper documentation. |
| **#2b** All cardholders to submit monthly landscape statement with signed receipts by 5th of each month | Cardholder | Computer access to JP Morgan | JP Morgan, BCC cardholder list | SBA, Principal before the 10th of each month | SBA to email cardholder and principal when not complete. Online reconciliation to be completed. |
| **#3a** Staff to complete excel spreadsheet containing roster of students at the time field trip is planned. This will be provided during annual pre-service meetings and available in staff shared files. | Staff FS SBA | 280-41 or equivalent form found on Business Center | SBA to meet with sponsor to determine form is provided prior to field trip approval. | SBA | There will be the ability to keep a running record throughout the collection process for the field trip. |
| **#3b** Field trip sponsor to use field trip calculator and review field trip expenses. Field Trip Calculator to be provided during in-service training and on T-Share | Staff SBA | Field Trip Calculator | SBA to meet with sponsor to determine form is provided prior to field trip approval | SBA | All field trips will be self-sufficient through money charged and collected. |
| **#3c** Sponsor to complete an end of field trip report with template provided and attach to final version of excel roster. | Staff | End of Trip Report, 280-41 or equivalent form | FS to provide account history upon completion of trip and reconciliation will be made between final reports and monies collected/EXPENDED. Sponsor will be contacted with discrepancies | FS SBA | All field trips will be self-sufficient through money charged and collected. |
| #4 The 2010 Memorandum of Understanding between Lazarus Foundation and MCPS in now void and null. A budget will be submitted for Lazarus Scholars program, an MCPS employee will become the program sponsor, the sponsor will monitor expenses, student payment, and Student Service Learning hours. Principal to meet with CFO to confirm process. |
| Principal CFO | MCPS guidelines for student payments | Email Correspondence | FS SBA Sponsor Principal | Lazarus Foundation to be compliant with MCPS Guidelines |
| #5a LSP programs to be approved by CFO | Staff, SBA, Principal LSP Business Plan | SBA to meet with teachers to create plans. Plans to be reviewed by principal. | Documentation submitted to Fiscal Specialist, School & Finance Operations by 5/1/18 | Local Summer School Programs comply with MCPS guidelines. |
| #5b Staff to be paid at their MCPS hourly rate for LSP. | SBA Payroll designee Principal MCPS timesheet, Lawson Payroll | | SBA Principal | All staff paid at specified rate through MCPS payroll system |
| #5c/d Payment to staff through the school’s IAF will follow MCPS and ECA guidelines. | Staff Payroll designee SBA Principal 280-46 Staff to record hours and attach to 280-46 | SBA and Principal review before signing | | Payment to school staff through the school's IAF will follow MCPS and ECA guidelines. |
| #6 SBA to receive all equipment purchased or gifted to the school. Staff to inform SBA if there are changes in inventory | Staff SBA 234-18 | | SBA monthly | All BCC equipment will receive inventory control barcode. If inventory is removed, MCPS will be notified. |
| #7a AP program to have complete and accurate record keeping for students receiving waiver/fee reduction | AP Coordinator FS SBA | MCPS AP/IB Exam Assistance Form MCPS AP/IB Exam Assistance Form Reporting from TR | AP Coordinator will update TR with students who are approved for waiver and amount | BCC will be in compliance w/memo dated 10-19-17 |
| #7b AP program to reduce excessive funds in account by using balance to support students with financial needs but fall outside of FARMS guidelines for support, stipend for data analysis to support SIP goals to increase AP access, proctoring expenses. | AP Coordinator | Account History | AP Coordinator to examine fee charges. 2018 service fee reduced by $1.00 |
| | SBA Principal | Review of TR fees | BCC to be in compliance with audit recommendations |

### 2018 AP Exam Subsidy Report and Reimbursement Packet

- **Subsidy Report**
- FS will receive check from TR
- AP Coordinator and SBA to review to ensure that the correct amount was collected and then paid to College Board
- Final report to be submitted by 6/8/18

### Office of School Support and Improvement (OSSI) Review & Approval

- **Approved**
- **Please revise and resubmit plan by** ____________

*Comments:__

*Director: ____________ Date: 4/4/18*