


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

August 26, 2014

MEMORANDUM

To: Ms. Lisa S. Seymour, Principal
Bethesda Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
August 1, 2010, through June 30, 2014

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 August 20, 2014 with you, and Ms. Ann Macuch, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated October 25, 2010, 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

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 they comply with IAF requirements. In our sample of disbursements we again found that prior approval was not consistently obtained, some disbursements did not have adequate documentation to fully explain the reason for the expenditure, and invoices were not always signed by the receiver. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought.

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 building service 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.

MCPS purchasing card members must record purchases on transaction logs and submit them monthly with invoices and receipts attached for review and approval by the principal. The principal's log must be sent to the respective associate superintendent for approval. Monthly summary reports from American Express are to be reviewed, signed and dated by the principal to ensure that purchases are appropriate and within established limits. We found several purchase logs were not reviewed, some transactions were not supported with receipts, and some invoices were not marked to indicate satisfactory receipt of goods or services. We recommend purchasing card members be required to comply with the requirements of the MCPS *Purchasing Card Users Guide*.

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the administrative secretary. 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, several sponsors continue to hold fees collected rather than remitting them to the administrative secretary on a daily basis. To minimize the risk of loss, all funds collected should be remitted daily. We recommend staff be encouraged to submit cash and checks collected for IAF activities to the administrative secretary for prompt deposit in accordance with MCPS policy and procedures.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (repeat);
- Purchaser must confirm receipt of goods or services prior to disbursement;
- Furniture and Equipment control must comply with MCPS Regulation EDC-RA;
- Purchase card activity must be in compliance with the MCPS *Purchasing Card User's Guide*; and

- Funds collected by sponsors must be promptly remitted to the administrative secretary (repeat).

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. Donna S. Hollingshead, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:AB:sd

Copy to:

Mr. Bowers
Dr. Navarro
Dr. Statham
Mr. Sanderson
Dr. Hollingshead
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen



Lisa S. Seymour
Principal

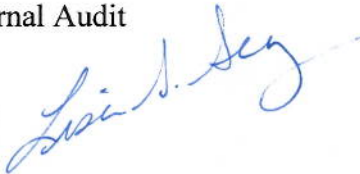
Bethesda Elementary School

7600 Arlington Road
Bethesda, Maryland 20814
301-657-4979

September 16, 2014

MEMORANDUM

To: Roger Pisha, Supervisor Internal Audit

From: Lisa S. Seymour, Principal
Bethesda Elementary School 

Subject: Response to Audit of Independent Activity Funds for the
Period of August 1, 2010 through June 30, 2014

On August 20, 2014, an audit was conducted of Bethesda Elementary School's Independent Activity Funds (IAF) for the Period of August 1, 2010, through June 30 2014. This memo is in response to the Audit Report received on August 26, 2014, stating Findings and Recommendations. As an attachment to this memo, you will find an Action Plan outlining steps in place, as the Fiduciary Agent, to further ensure the management/monitoring of funding transitions associated with Bethesda ES.

As stated in the memo, present at the August 20, 2014 meeting were Ms. Bergstresser, Mr. Butler, Ms. Macuch, and myself.

During the meeting, I made the following requests:

- Consideration #1 be reworded to reflect the points that were made at the meeting on August 20, 2014 and indicated in the Findings and Recommendations portion of the report. My suggestion is that statement "Purchases requested must be approved by the principal prior to procurement." be changed to, "Adequate documentation must be provided to fully explain the reason for the expenditure prior to procurement approval." The action plan from the July 1, 2007, through July 21, 2010 audit indicated the suggestion provided by Roger Pisha, where he stated that the date on form 280-54 is to reflect the approval date, not that additional explanation and documentation needed to be provided. The Action

Plan that I have attached reflects the recommendations made on August 20, 2014 report.

- Consideration # 2 – “Purchaser must confirm receipt of goods or services prior to disbursement.” I requested that it be moved to a discussion topic and not the Summary Recommendations, since it is not part of the Findings and Recommendations portion of the report.



The time and effort on the part of the auditors is greatly appreciated and their recommendations are reflected in the action plan. Please note communication provided to staff reflecting my effort as the Fiduciary Agent for the IAFs.



Copy to:

D. Hollingshead
S. Lillis
A. Macuch

Fiscal Management Action Plan

School: Bethesda ESPrincipal: Lisa SeymourApproved by community superintendent: Donna HollingsheadDate of approval: 9/22/14

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Purchaser requests must be approved by the principal prior to procurement.	<p>Require purchaser to send an email to Principal or Assistant Principal requesting purchase include adequate documentation explaining purchase. Combine Principal/Assistant Principal authorizing email with IAF 280-45. Submit to Administrative Secretary. Check IAF dates to ensure they are in correct sequence.</p>  <p>Audit Updates and Procedure Changes.</p> <p>Owner: L. Seymour/A. Macuch</p>	On-going basis	<p>Email from Principal/Assistant authorizing purchase along with the IAF 280-45 form with adequate documentation explaining the purchase.</p> <p>IAF dates are in the appropriate approval sequence.</p>
Purchaser must confirm receipt of goods or services prior to disbursement.	<p>Continue marking items as receipted with the date then mark paid on invoice.</p>	On-going basis	Secure all approved documentation to the invoice and file.
Furniture and Equipment control must comply with MCPS Reg EDC-RA.	<p>Furniture/Equipment Inventory Property Report (234-18) will be used to bar code/register 2 pieces of equipment purchased by the school for Building Services. Form 234-18 will be used for any future school purchases of furniture equipment. Attached forms Submitted to DMM Property.</p>  <p>Baseboard Carpet shampoo Scrubber bar code 2 machine bar code 2:</p> <p>Owner: A. Macuch/K. Butler</p>	On-going basis	<p>Submit Form 234-18 to J. Ricketts Property Management for approval. Bar codes are affixed to equipment.</p>
Purchase card activity must be in compliance with the MCPS Purchasing Card user's Guide	<p>Submit monthly AMEX Logs to Principal with invoices and receipts for signature.</p> <p>Submit monthly Principal's AMEX logs to</p>	On-going basis	Monthly Principal AMEX logs to Principal and Community Superintendent for approval.

	Community Superintendent with invoices and receipts for signature. Owner: A. Macuch/L. Seymour	On-going basis	Review collection frequency.
Funds collected by sponsors must be promptly remitted to the Administrative Secretary.	<p>Review again with staff the MCPS Chapter 20, IAF Pg 20-10, the requirement to submit funds on date received using the current deposit form. Principal and Administrative Secretary reviewed this with staff at Leadership Team at Pre Service Mtgs. and again in All staff meeting (8/12-14/2014). See attached FY14/15 Field Trip Guidelines. These Guidelines were given to Leadership Team. These guidelines are also posted in the FY14-15 Staff Handbook on "T" Shared.</p> <div data-bbox="581 1150 701 1465">   <p>Independent Activity Funds.pdf Field Trip Guideline Tips FY14-15.docx</p> </div>		

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