MEMORANDUM

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

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

Subject: Report on Audit of Independent Activity Funds for the Period
        July 1, 2014, through August 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. 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 October 13, 2017, meeting with you and Ms. Ann C. Macuch, school administrative
secretary, we reviewed the status of the conditions described in our prior audit report dated
August 26, 2014, 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

Effective internal control includes the receipt and review by the principal of the unopened monthly
bank statement, bank reconciliation report and ledger reports in a timely manner. Review of these
important reports must be evidenced by the principal’s signature and date. We found no indication
that review of the monthly general ledger reports were completed consistently during our audit
period. We recommend you initiate a process that ensures this important internal control process occurs monthly (refer to MCPS Financial Manual, chapter 20, page 9).

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, Travel-Study Programs, Field Trips, and Student Organization Trips. Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, date paid, eligible students who did not participate in the trip, and students who received waivers, scholarships, or reduced fees. This data together with a list of all chaperones and volunteers should be provided to the school administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report (refer to MCPS Financial Manual, chapter 20, page 10). We found that sponsors were not providing completed data at the conclusion of each trip to reconcile with the total amount recorded in the field trip account. We recommend that sponsors provide comprehensive data to the school administrative secretary for reconciliation to be performed to help assure that all funds collected have been remitted and the data produced is available to assist in the planning of future trips.

Summary of Recommendations

- Monthly reports should be signed and dated by the principal to assure review.
- 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.
- Principal should initiate a process that ensures that the internal control process occurs monthly.

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 Ms. Cheryl L. Smith, director of school support and improvement of elementary schools. Based on the audit recommendations, Ms. Smith 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 administrative secretary to support you with developing a well-defined plan to address the findings.

RWP:LAS:Jsh
Attachment
Copy to:
Members of the Board of Education: Mr. Civin, Ms. Diamond
Dr. Smith: Dr. Johnson, Ms. Smith
Dr. Navarro: Dr. Kimball, Mr. Reilly
Dr. Statham: Mrs. Camp, Mr. Tallur
Dr. Zuckerman: Mrs. Chen, Mr. Ikhele
## Strategic Improvement Focus:
As noted in the financial audit for the period 7/1/2014-8/31/17, strategic improvements are required in the following business processes:
- Monthly Reports should be signed and dated by the Principal to assure review.
- Field Trips records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with the costs of the trip.
- Principal should initiate a process that ensures the internal control process occurs monthly.

<table>
<thead>
<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>
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<tbody>
<tr>
<td>Sign the monthly SFO &quot;General Ledger&quot;- Receipts &amp; Disbursements Rpt. or Year to Date Rpt.</td>
<td>Lisa Seymour</td>
<td>SFO Monthly Reports.</td>
<td>SFO End of Month Checklist located in the front of each month IAF binder.</td>
<td>Lisa Seymour, End of Month Review meeting with Ann Macuch, Administrative Secretary.</td>
<td>SFO Monthly Reports are signed and returned to IAF report binder.</td>
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<tr>
<td>Utilize comprehensive data to account for all students eligible to participate and to reconcile funds collected with costs of the field trip.</td>
<td>Ann Macuch</td>
<td>Final 280-41 Accounting forms, Vendor contracts-bus, costs &amp; event entrance fees.</td>
<td>Final Accounting (280-41) forms, remittance forms and vendor contracts.</td>
<td>Lisa Seymour to review with the Admin. Sec. during the monthly SFO review meeting.</td>
<td>Review of the SFO Account History Report for the specific Field Trip. Students were eligible to participate and funds were collected with costs of trip.</td>
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<tr>
<td>Review with entire staff the process when purchasing items with IAF and FMS funds all items must be reviewed and received by the Administrative Secretary.</td>
<td>Lisa Seymour and Ann Macuch</td>
<td>IAF 280-54 Request for Purchase, orders/invoices packing slips.</td>
<td>IAF Requests for purchase and packing slip reconciled.</td>
<td>Ann Macuch to inventory all items and compare with order and packing slip on an as needed basis.</td>
<td>All items are accounted for. Vendors are contacted to resolve any missing items. Orders/invoices are marked received, dated and reconciled.</td>
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OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL

☑/Approved
☐ Please revise and resubmit plan by

Comments: [Handwritten]

Director: [Handwritten] Date: 11/4/17