


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

October 19, 2017

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:lsH

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
Ms. Smith
Mr. Reilly
Mr. Tallur
Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

School: Bethesda ES - 401

Principal: Lisa Seymour

Fiscal Year: FY18

OSSI

Associate Superintendent: Dr. L. Kimball

OSSI

Director: Cheryl Smith

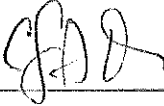
Strategic Improvement Focus:

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 acct. students eligible to participate, and to reconcile funds collected with the costs of the trip.
- Principal should initiate a process that ensures that the internal control process occurs monthly.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Sign the monthly SFO "General Ledger"- Receipts & Disbursements Rpt. or Year to Date Rpt.	Lisa Seymour	SFO Monthly Reports.	SFO End of Month Checklist located in the front of each month IAF binder.	Lisa Seymour, End of Month Review meeting with Ann Macuch, Administrative Secretary.	SFO Monthly Reports are signed and returned to IAF report binder.
Utilize comprehensive data to account for all students eligible to participate and to reconcile funds collected with costs of the field trip.	Ann Macuch	Final 280-41 Accounting forms, Vendor contracts-bus, costs & event entrance fees.	Final Accounting (280-41) forms, remittance forms and vendor contracts.	Lisa Seymour to review with the Admin. Sec. during the monthly SFO review meeting.	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.
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.	Lisa Seymour and Ann Macuch	IAF 280-54 Request for Purchase, orders/invoice s/ packing slips.	IAF Requests for purchase and packing slip reconciled.	Ann Macuch to inventory all items and compare with order and packing slip on an as needed basis.	All items are accounted for. Vendors are contacted to resolve any missing items. Orders/invoices are marked received, dated and reconciled.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved <input type="checkbox"/> Please revise and resubmit plan by _____ Comments: Director:  Date: <u>11.14.17</u>	