MEMORANDUM

To: Dr. Beth Brown, Principal
    Beverly Farms Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period
         August 1, 2008, through November 30, 2011

This audit report presents the results of our examination of the financial records, reports, and internal accounting controls relating to the Independent Activity Funds (IAF) for your school for the period designated above. The examination was made to evaluate the adequacy of accountability over these funds, compliance with applicable Montgomery County Public Schools (MCPS) policies and procedures, and effectiveness of IAF management.

In our meeting on January 26, 2012, with you and Mrs. Kathryn Bradley, assistant principal, and Mrs. Denice J. Etheridge, administrative secretary, we reviewed conditions described in our previous report dated October 1, 2008, and the status of present conditions. Our findings and recommendations appear below.

Findings and Recommendations

The monthly general ledger report and bank reconciliation should be prepared and submitted to you by the visiting bookkeeper. Your review of these items with the administrative secretary and visiting bookkeeper provides an overview of IAF activity and will alert you to matters warranting further inquiry. In addition, you should also review the checking account statement to ensure that the balance reconciles with the general ledger and check register balances. These monthly reports should be signed and dated to indicate your review (see MCPS Financial Manual p. 20-8).

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 expenditures comply with IAF requirements. In our random sample of disbursements, we found that prior approval was not consistently obtained. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54, be prepared by staff, signed and dated by the principal at the time
verbal approval is sought so that purchase orders and invoices bear a date subsequent to the approval date.

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account statement for each month in which transactions have been recorded in their accounts and be required to verify that transactions have been correctly recorded. We again found some sponsors did not return these statements. We recommend sponsors be required to review and resolve any discrepancies in their accounts and return the signed statements to the administrative secretary. We recommend a procedure be established to ensure that all statements are reviewed and returned (see MCPS Financial Manual, p. 20-9).

Cash and checks collected by sponsors and other authorized individuals for IAF activities must be remitted to the administrative secretary on the day they are received, and must be accompanied by MCPS Form 280-34, Remittance Slip. We again found instances in which staff collecting funds for trips were holding funds rather than remitting them timely to the administrative secretary (see MCPS Financial Manual p. 7-4). We recommend that all staff who collected funds for school activities be reminded of remittance requirements.

Review of field trip activities again revealed that not all trip sponsors are providing completed financial information to the administrative secretary at the completion of a trip. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41, Field Trip Accounting, or equivalent, and submit the data to the administrative secretary when a trip is completed. The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above (see MCPS Financial Manual, p. 20-9).

Summary of Recommendations

- Monthly financial reports must be signed and dated by the principal to indicate review;
- Purchase requests must be approved by the principal prior to procurement;
- Monthly account transaction statements provided to sponsors must be affixed for correctness and returned to the administrative secretary (repeat);
- Funds collected must be promptly remitted by sponsors to the administrative secretary (repeat); and
- 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).
Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Mrs. Etheridge, which greatly facilitated our audit. 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, community superintendent. The Office of School Performance will follow up on this audit.

RWP:GB:sd

Copy to:
Mr. Bowers       Mr. Talley       Mrs. DeGraba       Mr. Doody
Dr. Lacey        Dr. Hollingshead  Mrs. Milwit
March 5, 2012

To: Internal Audit Office
From: Beth Brown, Principal, Beverly Farms ES
Subject: Response to Audit of IAF

This memo is in response to the findings and recommendations for the Report on Audit of Independent Activity Funds for the Period August 1, 2008 through November 30, 2011.

Monthly reports should be reviewed, signed and dated to indicate review. As discussed with George Beall, monthly reports are reviewed and signed on a monthly basis. Since our discussion monthly reports are now dated to show the date of review. If there are matters which warrant further review, my administrative secretary and visiting bookkeeper alert me at the time the discrepancy is noted and the matter is resolved immediately.

Prior Approval is required for Request for a Purchase, MCPS Form 280-54. Prior approval is required for all purchases requested by staff members. Staff members have been reminded of this requirement several times. Absolutely no more purchases without prior approval will be reimbursed as of the findings from George Beall in this review. There will be no exceptions.

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account statement for each month. Our previous practice was to put a copy of the monthly report in the sponsors mailbox and request that the report be returned signed. We did not monitor this well and at times the sponsor would not return the signed copy and there was not consistent follow-up. In order to ensure that sponsors review and sign their monthly report, our administrative secretary is now meeting individually with each sponsor on a monthly basis. At that time the sponsor reviews and signs the monthly report.

Cash and checks collected by sponsors and other authorized individuals for IAF activities must be remitted to the administrative secretary. All staff members have been collectively reminded of this requirement. Most recently, individual offenders were met with individually to re-explain the requirement. Since the individual meetings, all staff members understand the requirement and are abiding by this required procedure.
Review of field trip activities revealed that not all trip sponsors are providing completed financial information. All staff members have been collectively reminded of this requirement. Most recently, individual offenders were met with individually to re-explain the requirement. In addition, as a follow up, we are meeting with each team to review this requirement.

Copy to:

Dr. Hollingshead