


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

October 21, 2016

MEMORANDUM

To: Mr. Spencer Delisle, Principal  
Beverly Farms Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
January 1, 2015, through August 31, 2016

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 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.

In our meeting on October 19, 2016, with you, and Mrs. Maureen H. Burns, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated January 29, 2015, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2016. 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 statements, bank reconciliation reports, and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date. We could find no



indication that these reviews were completed consistently during the audit period. We recommend you initiate a process that ensures this internal control process occurs monthly (refer to the *MCPS Financial Manual*, chapter 20, page 9).

Disbursement of the IAF must be controlled in a number of ways. All purchases must be approved in advance and in writing using MCPS Form 280-54: *Independent Activity Funds Request for a Purchase*. After acquisition, the purchaser should submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the school administrative secretary (refer to the *MCPS Financial Manual*, chapter 20, page 4). We noted instances in which purchases were made prior to receiving the approval of the principal. We also noted instances of receipts not annotated by recipients to indicate that purchased goods or services were satisfactorily received and not marked as "paid" after disbursement. We recommend the IAF purchases comply with MCPS procedures.

In order to properly control receipts, cash, and checks collected by sponsors for IAF activities, all funds should be remitted promptly to the school administrative secretary. Cash should be counted in the presence of the remitter, and a receipt that is supported by MCPS Form 280-34: *Independent Activity Fund (IAF) Remittance Slip*, should be issued promptly. Remittances received should, in turn, be promptly deposited into the school's bank account. Once again, we found instances in which funds were held by sponsors rather than remitted to the school administrative secretary on a daily basis, and not always promptly deposited into the school's bank account. To minimize the risk of loss and provide availability of funds to meet school needs, we recommend that all funds collected be remitted to the school administrative secretary daily for prompt deposit (refer to the *MCPS Financial Manual*, chapter 7, page 4).

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms signed by the principal, and the director of school support and improvement, when required, should be retained. 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. We found that not all sponsors are providing completed data at the conclusion of each trip, and that data is not being compared to the final account history report. We recommend that all sponsors be required to use MCPS Form 280-41: *Field Trip Accounting*, or equivalent, and follow the procedures outlined above.

#### 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.
- Purchaser must confirm receipt of goods or services prior to disbursement.

- Purchase documentation must be annotated as paid to indicate disbursement was made.
- Cash handling process must conform to chapter 7 of the *MCPS Finance Manual (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.

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 Unit within 30 calendar days of this report, with a copy to Dr. Sarah E. Sirgo, director of school support and improvement of elementary schools. In your response, please share a detailed plan for addressing these issues including appropriate staff training and support. The Office of School Support and Improvement will follow up on this audit.

RWP:AMB:lsh

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Dr. Johnson

Mr. Civil

Dr. Williams

Mrs. Camp

Mrs. Chen

Mrs. DeGraba

Ms. Diamond

Dr. Sirgo

Mr. Ikheola



**Fiscal Management Action Plan**

**School:** Beverly Farms Elementary School **Principal:** Spencer Delisle

**Approved by Director of School Support and Improvement:** 

**Date of Approval:** 11/9/16

<b>Findings and Recommendations of School's Financial Report</b>	<b>Description of Resolution And Person(s) Responsible</b>	<b>Timeline</b>	<b>Evidence of Completion</b>
<b>Monthly Financial Reports</b>  Monthly financial reports must be signed and dated by the principal to indicate review.	The administrative secretary will provide the principal with a monthly report of accounts, and the principal will verify that they are accurate. The administrative secretary will organize monthly statements in a binder that will be stored on the shelf adjacent to her desk.  Person(s) Responsible: Bookkeeper, administrative secretary, and principal	Once per month. In practice beginning November 2016.	Signed and dated reports.
<b>Purchase Request Approval</b>  The principal must approve purchase requests before procurement.	At the time that verbal approval is sought from the principal, Form 280-54 will be prepared and signed by both requesting staff and the principal. The principal will ensure detailed documentation/rationale of the purchase is attached to the request prior to signing. The invoices for the purchase will be signed and dated by the receiver.	As needed	Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver.

	<p>Staff members who do not secure advance approval, will not receive reimbursement for purchases.</p> <p>Person(s) Responsible: Administrative secretary, principal, staff requesting purchase</p>		
<p><b>Purchase request disbursement</b></p> <p>Purchaser must indicate receipt of goods before disbursement</p>	<p>A receipt that is initialed designating actual receipt of goods will accompany check sent to the principal for sign-off.</p> <p>Person Responsible: Purchaser, administrative secretary, principal, visiting bookkeeper</p>	As needed	Receipt from purchase
<p><b>Documenting Reimbursements</b></p> <p>Purchase documentation must be annotated as paid to indicate disbursement was made.</p>	<p>All supporting documentation 280-54 must be attached with reimbursement check. Once the check has been signed, the administrative secretary will stamp original receipt "paid." Documents will be filed with disbursements for the month.</p> <p>Person Responsible: Administrative Secretary</p>	<p>As needed</p> <p>New procedure began December 2014</p>	Completed Form 280-54, with documentation of purchase, and receipt of purchase (stamped as "paid")
<p><b>Funds for Sponsored Activities</b></p> <p>Cash Handling must conform to Chapter 7 of the MCPS Financial Manual</p>	Cash collected by sponsors will be submitted using form 280-34. Administrative Secretary will sign the form as documentation of receipt and sponsors will make a copy of the signed form for their records. Cash will be submitted by sponsors on a daily basis. Administrative Secretary will make daily deposits.	<p>Daily sponsor submission of funds</p> <p>Immediate receipt of funds (signature and signed copy of form)</p> <p>Deposits daily as needed.</p>	Receipts of funds submitted and bank deposit statements.

	Person Responsible: Administrative secretary, sponsors		
<b>Field Trip Planning and Funds</b>  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.	<p><b>Sponsors</b> will use MCPS Form 280-41 to provide complete class or club rosters and note how much each student has paid, include the date, and any waivers or scholarships for students. At the completion of the trip, sponsors will check to make sure that the trip account history report matches with the funds they have collected. Sponsors will plan carefully to ensure that they do not overcharge or undercharge for a trip for students. Sponsors to record trip fees and provide complete data at the end of each trip. Trip planning will be reviewed by the administrative secretary and the principal to ensure that fees are appropriate.</p> <p>School will transition to online field trip pay system.</p> <p>The administrative secretary will keep all supporting documentation for each field trip together.</p> <p>Person(s) Responsible: Administrative Secretary, Teachers, sponsors, principal</p>	As needed	<p>Completed Form 280-41 and any additional documents relevant to each trip.</p> <p>Final balances verify that trip expense was appropriately calculated.</p>

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