


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

August 14, 2019

MEMORANDUM

To: Ms. Laura M. Swerdzewski, Acting Principal  
Beverly Farms Elementary School

From: Mary J Bergstresser, Acting Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period  
September 1, 2016, through June 30, 2019

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. School 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 Board of Education policies, MCPS regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with 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 any significant errors or omissions in the financial records are detected.

At our August 1, 2019, meeting with you and Mrs. Bernadette Freeman, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated October 21, 2016, 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. It should be noted that your appointment as acting principal was effective July 12, 2019.

Findings and Recommendations

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase. 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. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt (refer to *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements, we found prior approval was not consistently

obtained and documentation was not annotated by the recipient to indicate purchased goods or services were satisfactorily received. By requiring prior approval, the principal retains control over the expenditure of IAFs. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditures and signed by the principal at the time verbal approval is sought. We also recommend that purchasers sign invoices for goods or services to indicate satisfactory receipt of the quantity and quality of items.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly and intact to the administrative secretary along with a remittance slip. Cash should be counted in the presence of the remitter, and a receipt that is supported by the remittance slip should be issued promptly. We found instances in which there was a delay in issuance of receipts, and remittance slips were not being filed with corresponding receipts. We found that some sponsors were holding funds collected, rather than remitting them to the administrative secretary on a daily basis. To improve controls, we recommend adoption of the procedures in the *MCPS Financial Manual*, chapter 7, pp. 4-5.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips, and 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 (refer to *MCPS Financial Manual*, chapter 20, page 10). We found that data is not being reconciled with 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

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Cash and checks (funds) collected by sponsors must be promptly remitted with MCPS Form 280-34 to the school administrative secretary (**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 (**repeat**).

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 Mr. Eric A. Wilson, acting associate superintendent, Office of School Support and Improvement. Based on the audit recommendations, Mr. Wilson will indicate whether he will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school administrative secretary to support you with developing a well-defined plan to address the findings.

MJB:LS:Ish

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mr. Wilson

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Reilly

Mr. Tallur

Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> August 14, 2019	<b>Fiscal Year:</b> August 14, 2019
<b>School:</b> Beverly Farms ES - 226	<b>Principal:</b> Laura Swerdzewski
<b>OSSI Associate Superintendent:</b> Cheryl Dyson	<b>OSSI Director:</b> Peter Moran
<p><b>Strategic Improvement Focus:</b>          As noted in the financial audit for the period <u>9/1/16-6/30/19</u>, strategic improvements are required in the following business processes :</p> <p>Purchase request approval, Purchaser confirms receipt prior to disbursement, Collected funds remitted with form 280-34, Field trip records include comprehensive data.</p>	

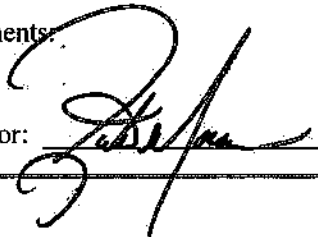
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchase Request Approval - A flow chart will be created for approval process. Staff will be trained on the procedures for approval and how to complete form 280-54 and provide written documentation/rationale for requests. Administrative secretary will ensure receipt of signed forms/documents prior to any purchase/reimbursement.	Principal Administrative Secretary Staff making requests	Sample forms and invoices for staff training.	review of files and approved forms monthly by visiting bookkeeper, principal and administrative secretary.	Principal Administrative Secretary Visiting Bookkeeper	No purchases will be made without prior principal approval. Signed copies of form 280-54 and accompanying documentation will be filed.
Purchaser confirmation of receipt before disbursement- Staff will be trained on the process for receiving and confirming goods before disbursement. Invoices will be marked as received and signed/dated prior to being distributed. Signed and dated invoices will be housed with the purchase request.	Principal Administrative Secretary Staff	Examples and written guidance for training staff.	Administrative secretary will review invoices monthly to ensure all are signed, dated and filed appropriately. Principal will also review as needed.	Principal Administrative Secretary	All goods will be checked against the invoice to assured satisfactory receipt. Invoices will all be filed with purchase request forms.
Cash handling process- Staff will be trained on the procedures for remittance of funds on a daily basis and completion of form 280-34. Administrative secretary will sign the form as a documentation of receipt and sponsors will make a copy for their records. Administrative secretary will make daily deposits.	Administrative Secretary Staff/sponsors Principal	Sample forms for training.	Review of deposits and forms monthly by visiting bookkeeper, administrative secretary, and principal.	Administrative Secretary Principal	Receipts of funds submitted and bank deposit statements will be filed after review.
Field trip records - Staff will be trained on field trip procedures and the use of form 280-41. The data with a list of all chaperones and volunteers will be provided to the administrative secretary at the trips completion and compared to remittances recorded in trip account history reports.	Staff Administrative Secretary Principal	Sample field trip forms for training. Flow chart for field trip procedures.	Review of field trip forms and remittance records will be completed monthly as needed.	Administrative secretary Principal	Completed form 280-41 will be filed with each trips related documentation. Final balances will verify that trip expenses were appropriately calculated.

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**

Approved
  Please revise and resubmit plan by \_\_\_\_\_

Comments: \_\_\_\_\_

Director:  \_\_\_\_\_ Date: 9/10/19