


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

August 11, 2014

MEMORANDUM

To: Ms. Sandra S. Reece, Principal
Bradley Hills Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2010, through June 30, 2014

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 IAFs are administered in accordance with MCPS policies, regulations, and procedures.

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 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 August 12, 2014 with you, and Ms. La Tonya Harris, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated October 1, 2010, 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 could find no indication that these important reviews were completed consistently during our audit period. We recommend you initiate a process that ensures this important internal control process occurs monthly (see MCPS Financial Manual, p. 20-8).

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 required to verify the transactions have been correctly recorded. We found some sponsors did not return these statements. We recommend a procedure be established to ensure that all sponsors be required to review and resolve any discrepancies in their accounts and return the signed statements to the administrative secretary (see MCPS Financial Manual, p. 20-9).

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. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, we again found prior approval was not consistently obtained as well as invoices not always signed by the receiver. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and that complete documentation be attached to fully explain the reason for the purchase.

MCPS purchasing card members must record purchases on transaction logs and submit them monthly with invoices and receipts attached for review and approval by the principal. Monthly summary reports from American Express are to be reviewed, signed and dated by the principal to ensure that purchases are appropriate and within established limits. We again found that logs and the summary reports were not received or reviewed by the principal. The principal's logs were not being signed by the associate superintendent. We recommend purchasing card members be required to comply with the requirements of the MCPS *Purchasing Card Users Guide*.

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the administrative secretary. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (see MCPS Financial Manual, p.7-4). We noted that sponsors held fees collected rather than remitting them to the administrative secretary on a daily basis, and the administrative secretary was not depositing them promptly. To minimize the risk of loss, we recommend staff be encouraged to timely submit cash and checks collected for IAF activities to the administrative secretary for prompt deposit in accordance with MCPS policy and procedures.

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 must be signed by the principal (and associate superintendent, when required), prior to conducting the trip. The administrative secretary should establish a separate account in the IAF for each 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 (see MCPS Financial Manual, p. 20-9). 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 noted that most sponsors did not prepare field trip request forms to obtain principal approval before undertaking the trip, and failed to provide financial information to the administrative secretary

at the conclusion of the trip. We recommend all sponsors be required to follow the procedures outlined above.

Summary of Recommendations

- Monthly financial reports must be reviewed, signed, and dated by the principal to indicate review;
- Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the administrative secretary;
- Purchase requests must be approved by the principal prior to procurement, and purchaser must confirm receipt of goods or services prior to disbursement (repeat);
- Purchase card activity must be in compliance with the MCPS *Purchasing Card User's Guide* (repeat);
- Funds must be promptly remitted by sponsors and promptly verified, receipted, and deposited in the bank by the administrative secretary; 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 your staff. 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, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:AB:sd

Copy to:

Mr. Bowers
Dr. Navarro
Dr. Statham
Mr. Sanderson
Dr. Hollingshead
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen



BRADLEY HILLS ELEMENTARY SCHOOL

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Office of the Principal

September 22, 2014

Dear Mr. Pisha,

Thank you for sharing the feedback from our recent school audit. I appreciate the opportunity to improve our procedures to align with current MCPS practices and expectations. This audit was timely, as we have a new administrative secretary. As we refine and improve our practices, the findings and our action plan will help ensure that we meet the MCPS expectations in the future.

Thank you for providing this report. I have attached our action plan for your review.

Sincerely,

Sandra S. Reece

One attachment

Cc: Dr. Hollingshead



MONTGOMERY COUNTY PUBLIC SCHOOLS

Fiscal Management Action Plan

School: Bradley Hills Elementary
 Approved by community superintendent:

DM 9/17/14

Principal: Sandra Reece

Date of approval: *Sandra Reece* 9/22/14

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Bank statements opened and signed by principal	La Tonya Harris, admin sec, will give unopened back statements to Sandra Reece, principal when received in mail. Principal will open, review and sign statements then return to admin secretary	Each month when statements arrive in mail	Signed bank statements
Monthly financial reports reviewed, signed, and dated by principal	Monthly reports will be generated by Lois Vuolo, bookkeeper. These will be shared in a monthly meeting with La Tonya Harris, admin secretary and Sandra Reece, principal. Reports will be signed within 2 days and returned to admin sec for filing	Each month according to bookkeeper visit	Meeting scheduled in Outlook Signed reports in files
Monthly account transaction statements tracked and affirmed by sponsors	La Tonya Harris, admin sec, and Lois Vuolo, bookkeeper, will generate monthly account transaction statements. These will be reviewed by Sandra Reece, principal during monthly financial meetings. Subsequently, these monthly statements will be given to the account sponsors for their review. Statements will be returned to admin secretary with appropriate signatures within 2 days of receipt.	Each month according to bookkeeper visit	Signed account statements indicating the appropriate timeline by sponsor signature
Request for purchase authorization prior to procurement	Procedures regarding purchases will be discussed during preservice with entire staff by La Tonya Harris, admin secretary. Correct forms will be used in advance of purchases. Other permissions will be captured by printed emails. Proof of purchase and documentation of receipt of goods in evidence	August 2014 preservice and on-going	Preservice agenda Correctly completed requests for purchases in addition to printed email authorizations. Receipts and packing list information will be attached as appropriate
Purchase card activity in compliance with MCPS Purchasing Card User's Guide	All approved card users will complete Purchase card training prior to receiving cards. Appropriate request for purchase approvals, signed by Sandra Reece, principal, will accompany receipts.	Monthly	Card statements and supporting documentation
Prompt verification, receipt and deposit of collected monies	Procedures regarding money collection will be discussed during preservice with entire staff by La Tonya Harris, admin secretary. Collected monies will be prompted deposited by	On-going during the year	Preservice agenda Completed paperwork and correlation of dates

Field trip reporting to comply with MCPS expectations	admin secretary		<p>Agenda for leadership team meeting in October</p> <p>Field trip documentation signed and dated for each deposit. Deposits will correlate with dates of receipt of monies. Signed monthly account statements.</p>
		As field trips are scheduled	
	La Tonya Harris, admin secretary, will discuss correct procedures with leadership team regarding field trips. Each team leader will act as sponsor for all trips at that grade level. All sponsors will monitor process for the team and affirm accounts monthly. Monies received by teachers will be promptly documented and brought to admin secretary. Admin secretary to receive monies and deposit in a timely fashion.		

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