


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

October 27, 2015

MEMORANDUM

To: Mrs. Gail M. West, Principal  
Brooke Grove Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
November 1, 2011, through August 31, 2015

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 October 20, 2015, with you and Mrs. Tammy Hertel, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated November 28, 2011, 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 that the principal was signing the bank reconciliation report, but not the bank statement or ledger report. We recommend you initiate a process that ensures this important internal control process occurs monthly (see MCPS Financial Manual, p. 20-8).

Disbursement of IAF must be controlled in a number of ways. All purchases must be approved in advance and in writing using MCPS Form 280-54, *Request for a Purchase*, to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-4). 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. After the purchase is completed, the purchaser should submit the invoice or documented evidence of purchase, signed to indicate the satisfactory receipt of the goods or services, to the administrative secretary. A check may then be drawn and it must bear two signatures, one of which is that of the principal or acting principal. Documentation supporting purchases should then be stamped or marked "paid" and filed. We found instances where purchases were not approved in advance, documentation was missing and/or not adequate to assure the school benefited from the purchase, invoices were not marked that goods were received, checks that only had one signature and supporting documentation that was not marked or stamped "paid". 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. In addition, all checks must bear two signatures and supporting documentation must be stamped "paid".

Controls over cash receipts needs improvement. Staff collecting funds were holding rather than remitting them timely to the administrative secretary, and occasionally the administrative secretary was not making timely deposits. Large and infrequent deposits increase the possibility of loss of funds as well as diminish the schools ability to fund activities. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected should be remitted to the administrative secretary daily for prompt deposit to the bank (see MCPS Financial Manual, p. 7-4).

Sponsors of field trips should have a complete class 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. In addition, parents paying to attend the trip, should also be listed. This data should be provided to the administrative secretary at the completion of each trip, and compared to remittances recorded in the trip account history report. The data also should be used to estimate future trips. We again 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 nor used for planning future trips. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip. We further recommend trip planning be reviewed to ensure established fees are commensurate with trip expenses (see MCPS Financial Manual, p. 20-10).



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 (repeat);
- Purchaser must confirm receipt of goods or services prior to disbursement;
- Purchase documentation must be adequate to support disbursements;
- Checks will bear two signatures, one of which must be that of the principal;
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the administrative secretary;
- Funds remitted by sponsors must be 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. LaVerne Kimball, associate superintendent of elementary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:SY:sd

Copy to:

Dr. Zuckerman  
Dr. Statham  
Dr. Navarro  
Dr. Kimball  
Mr. Devan  
Mrs. Chen  
Mrs. DeGraba  
Mrs. Milwit

# Brooke Grove Elementary School

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*Office of the Principal*

November 13, 2015

## MEMORANDUM

To: Mr. Roger W. Pisha, Supervisor, Audit Unit  
From: Gail M. West, Principal *G.W.*  
Subject: IAF Audit Response for the Period November 1, 2011 through August 31, 2015

The following is a response to the findings and recommendations to the Report on the Audit of Brooke Grove Elementary School's Independent Activity Funds (IAF) for the period of November 1, 2011, through August 31, 2015.

After reviewing the Audit report, the administrative secretary and I have instituted several new processes and procedures to address the financial management of the Brooke Grove Elementary School's IAF. The attached Action Plan has been implemented and the checks and balances instituted.

We have set up regular monthly financial meetings with the visiting bookkeeper and will work together to make sure that all the processes and procedures have been followed and completed.

My Administrative Secretary has sent out an updated memo to all staff regarding the financial procedures to follow for Field Trips. She has conducted personal one on one trainings to Team Leaders, and she will present once again at the upcoming Staff Meeting.

Thank you for your time and effort to assist our staff in maintaining effective fiscal management of IAF. Please let me know if you have any further questions or suggestions.

Attachments

Cc: Dr. Kimball  
Mr. Devan

### Fiscal Management Action Plan

School: Brooke Grove Elementary School      Principal: Gail West      Approved by community superintendent: \_\_\_\_\_ Date of approval: \_\_\_\_\_

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Monthly financial report meeting.	<ul style="list-style-type: none"> <li>A regular monthly meeting was set up with the Book keeper, the administrative secretary and principal, to review finances and as a check and balance for financial routines and procedures.</li> </ul>	The first Wednesday of every month	Schedule of meetings on the calendar for the rest of the year Meetings occurred: Wednesday, 11-4-15 Tuesday, 11-10-15
Monthly financial reports must be signed and dated by the principal.	<ul style="list-style-type: none"> <li>The principal will now sign the bank statements before the book keeper comes.</li> <li>At the completion of the book keeper's visit, the principal will sign the bank reconciliation and bank ledger forms.</li> </ul>	Once per month	Signed and Dated Bank Statements Signed and Dated Bank Reconciliation Statements Signed and Dated Ledger. The book keeper will confirm this is done at the end of each monthly meeting.
Reviewing transfers we found that MCPS Form 281-46 IAF Transfer Form was not being prepared and we saw no principal approval.	<ul style="list-style-type: none"> <li>Will complete the 281-46 IAF Transfer form towards the end of the monthly financial meeting with the book keeper. The administrative secretary will discuss the transfers with the principal, and have the principal sign the transfer form.</li> </ul>	Once per month	Completed 281-46 IAF Transfer Form with principal signature
Purchase requests must be approved by the principal prior to procurement.	<ul style="list-style-type: none"> <li>Purchase requests will continue to be pre-approved by the principal. The Form 280-54 will reflect the prior approval and the estimated amount of the purchase.</li> <li>The Form 280-54 will be signed by both the staff requesting the funds and the principal.</li> <li>Detailed documentation and rationale of the purchase will be attached to the request.</li> </ul>	As needed	Signed 280-54 form with prior approval Estimated cost of purchase
Purchaser must confirm receipt of goods or services prior to disbursement.	<ul style="list-style-type: none"> <li>The purchaser will confirm the receipt of the goods or services when received on the 280-54 form and then stamp paid and then file in the monthly financial folders.</li> <li>The invoices for the purchase will be signed and dated by the receiver.</li> </ul>	As needed	Copy of 280-54 with confirmation that the good was received. 280-54 will be stamped paid
Purchase documentation must be adequate to support disbursements.	<ul style="list-style-type: none"> <li>Invoices will be attached to all 280-54 request forms to document how the school benefited from the purchase.</li> </ul>	As Needed	Completed Form 280-54. Documentation of purchase Itemized Receipt of purchase Signed 280-54 to document that the purchase was received



Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Documentation was missing and or not adequate to assure the school benefited from the purchase.	<ul style="list-style-type: none"> <li>Received clarification from the auditor (Susan Yee) about what documentation was missing for the purchases in question.</li> <li>Ms. Yee's written explanation of the documentation needed and requested is attached to the Audit Action Plan.</li> <li>She noted that "Some of the checks didn't have documentation for the items purchased or didn't have complete documentation. It was not that the purchases should not have been made." Please see the attached email.</li> </ul>	Included documentation for every purchase	Attach supporting documentation to every Request for Purchase Form 280-54, and include the original itemized receipts, and or a detailed invoice, prior to writing the check.
Checks will bear two signatures, one of which must be that of the principal.	<ul style="list-style-type: none"> <li>All checks have 2 signatures, one of which is the principal.</li> <li>The approved check signers are the principal, Administrative Secretary, Tammy Hertel, Attendance Secretary, Diana Wilson, and SDT, Karen Newbrough.</li> <li>We removed the employees that are no longer here.</li> </ul>	When checks are written	Completed check with both signatures. The bank signature approval form.
Staff Collecting funds and holding rather than remitting them timely to the administrative secretary.	<ul style="list-style-type: none"> <li>Staff and Sponsors will hand deliver all money collected to Administrative Secretary every day.</li> <li>Money will be counted and verified by the Administrative Secretary with teachers present.</li> <li>A Field Trip Instructional Packet and forms were shared with staff on October 13, 2015 and on November 12, 2015.</li> <li>The process for Field Trips was also documented in the Staff handbook and was included in the Pre-Service packet and agenda.</li> <li>Administrative Secretary met individually with the Team Leaders to review and go over Field Trip procedures. (November 2015)</li> <li>Staff was explicitly told not to hold any money and to turn in all funds daily.</li> <li>All Field Trip forms and the process are detailed in T-Share for staff and the forms are in the office.</li> <li>Field trip instructions and procedures were reiterated at the Staff Meeting on November 30, 2015, emphasizing not to hold onto funds.</li> </ul>	Every Field Trip	<ul style="list-style-type: none"> <li>Instructional packet attached from October and November 2015.</li> <li>Field Trip instructions mentioned in Staff Bulletin. (11-16-15)</li> <li>Met individually with team leaders</li> <li>Instructions given at Staff Meeting. November 30, 2015</li> <li>Staff Handbook 2015-2016</li> </ul>

Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with cost of the trip.	<ul style="list-style-type: none"> <li>Sponsors will complete the 280-41 forms for each fieldtrip.</li> <li>Sponsors will include the names of all students, volunteers, and chaperones, on the 280-41 form.</li> <li>They will also fill out the 260-1 form when a child does not pay to document non-payment.</li> <li>Administrative Secretary will print the Final Account History Report from SFO and attach it to the Fieldtrip Packet.</li> </ul>	At the completion of each fieldtrip	Completed 280-41 Form Completed 260-1 Forms Account History Report Attached
Occasionally the administrative secretary was not making timely deposits.	Daily Bank Deposits as needed.	Every day possible or the following day	Bank Deposit Slips
Occasionally the administrative secretary was not making timely deposits.	Purchased safe to place any money that cannot be deposited that day up to \$250.00.	When money received and bank deposit not possible.	Locked Safe
Audit Findings	<ul style="list-style-type: none"> <li>Meeting with OSSJ Director to discuss financial procedures and best practices for improvement</li> <li>Meeting with Director from OSSJ, Book Keeper, Administrative Secretary and Principal to discuss areas and processes for improvement</li> <li>Meeting with OSSJ Director in March or April to review evidence collecting to see if we need any refinements.</li> </ul>	November 2015 March or April 2016	Evidence that the Audit Findings have been addressed and corrected.
Audit Findings	Monthly Sherwood Cluster meeting with the other Administrative Secretaries to share best practices and financial procedures and safeguards.	Monthly Dinners	Notes shared and taken on best practices Findings shared with principal

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