


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 13, 2017

MEMORANDUM

To: Mr. James K. Allrich, Principal
Argyle Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2015, through December 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 fund-raisers. 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.

At our meeting on February 7, 2017, with you, Mrs. Denia M. Moreno; school financial specialist; and Mr. Timothy W. Magruder, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated December 4, 2015, 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

MCPS Form 280-54: *Independent Activity Funds Request For A Purchase*, is used to obtain principal approval to proceed with an intended purchase. After an 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 financial specialist (refer to *MCPS Financial Manual*, chapter 20, pages 4 and 6). In our sample of disbursements, we found instances in which purchases were made prior to receiving the principal's approval. In addition, we found receipts that were not annotated by the purchaser to indicate that purchased goods or services were satisfactorily received. We recommend that action be taken to bring purchasing into compliance with MCPS requirements.

In order to properly control receipts, all cash and checks collected by sponsors for the IAF activities should be remitted promptly to the school financial specialist. All funds should be verified in the presence of the purchaser, and a receipt that is supported by MCPS Form 280-34: *Independent Activity Fund (IAF) Remittance Slip*, should be issued promptly. Remittances received should then be promptly deposited into the school's bank account. We found instances in which funds were held by sponsors rather than being remitted in a timely manner to the school financial specialist. To minimize the risk of loss and provide availability of funds to meet school needs, we recommend that all funds collected be remitted daily to the school financial specialist (refer to *MCPS Financial Manual*, chapter 7, page 4).

Retail sales tax must be collected by the school and remitted to the Comptroller of Maryland on the sales of all taxable merchandise. Taxable merchandise includes yearbook, fund-raiser items, physical education clothing, and other items that become the personal property of the individual making the purchase (refer to *MCPS Financial Manual*, chapter 18, page 2). We found that sales tax was not collected and remitted for all taxable sales. We recommend that the school financial specialist works with sponsors to apprise them of activities for which sales tax must be collected and remitted to the Comptroller of Maryland.

The yearbook sponsor is required to keep detailed records of the number of books sold, the price charged, and the number of books distributed free of charge (refer to *MCPS Financial Manual*, chapter 20, page 14). The records kept by the yearbook sponsor did not enable us to reconcile the number of books purchased with the number sold, given free, and the remaining inventory. Therefore, we were unable to determine whether or not all funds generated from this activity had been remitted. We recommend that the yearbook sponsor is counseled and assisted with the record-keeping required for this activity and that the reconciliation is verified by the school financial specialist.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Student Organization Trips*. Trip approval forms should be signed by the principal, and the director of school support and improvement, when required, and retained for future reference. 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 financial specialist 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.

Sixth-grade students at each middle school in MCPS participate in a three-day, two-night residential outdoor environmental education program (OEEP) for which they are assessed an activity fee to reimburse MCPS for personal expenses associated with the program. Students unable to pay the OEEP activity fee receive waivers. Any waivers must be reported to MCPS so that the total amount of the invoice billed to schools is adjusted accordingly. We found that the school did not correctly report all students who were identified as needing assistance which resulted in an overpayment to MCPS. We recommend that you review the procedures for reporting students needing financial assistance with the sponsor and that financial assistance forms are reviewed for accuracy before they are submitted.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Funds collected by sponsors must be promptly remitted to the school financial specialist **(repeat)**.
- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.
- Yearbook sponsor records must account for the number of books purchased, sold, distributed at no cost, and final inventory.
- 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)**.
- OEEP sponsor records must correctly report funds collected and waivers granted for all participating students.

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*, please provide a response to the Internal Audit Unit within 30 calendar days of this report, with a copy to Dr. Eric L. Minus, director of school support and improvement of middle 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

Mr. James K. Allrich

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February 13, 2017

Mr. Civin
Dr. Johnson
Dr. Williams
Mrs. Camp
Mrs. Chen
Ms. Diamond
Dr. Minus
Mr. Tallur
Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

School: Argyle Middle School

Principal: James Allrich

Fiscal Year: FY2017

Associate Superintendent: Dr. Darryl Williams

Director: Dr. Eric Minus

Strategic Improvement Focus:

As noted in the financial audit for the period **Sept. 1, 2015 – December 31, 2016**, strategic improvements are required in the following business processes :

- Purchase Request and Receipt of goods
- Remittance of funds by Staff
- Sale Tax account
- Yearbook Inventory
- Field Trip and Outdoor Education Records and Reconciliation

Action Steps / Recommendation	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
Staff will submit all purchase request for Principal's approval prior to purchase and all items will be received/inventoried through the finance office	Staff, FS, Principal	Purchase form (280-54), delivery log, Presentation of financial procedures	Emails and Staff financial training, delivery log for all items received	Principal and Financial Specialist(FS) review all request and deliveries during weekly meeting	Completed purchase request forms with documented evidence of purchase with signatures and delivery log
Staff will collect and submit funds daily to Financial Specialist	Staff, FS	Remittance forms availability, Presentation of financial procedure	Emails	Financial Specialist(FS) ongoing there after	Completed MCPS form 280-34 submitted within same day as funds collection
Argyle will open a Sale Tax account with Comptroller of MD	FS	Sale Tax forms	Collected tax on sale items	Principal and FS during weekly financial meetings	Collected tax paid to the MD Comptroller

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
Yearbook sponsor will keep detail records of books sold, the price charged, availability for sale and books distributed free of charge	Yearbook sponsor	MCPS financial manual Chapter 20	Sales spreadsheet	Financial Specialist during Yearbook sale	Completed sales spreadsheet, activity account and the profit/loss completion report
Field Trip sponsors (including outdoor education trip) will provide comprehensive data to account for students and reconcile funds collected	Field Trip Sponsors	Field Trip spreadsheet, field trip accounting form (280-41)	Field Trip checklist and spreadsheet	Financial Specialist and principal during weekly financial meeting	Completed of field trip package, reconciliation and final account history report

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSS) REVIEW & APPROVAL

☐ Approved ☐ Please revise and resubmit plan by _____

Comments: _____

Director: _____ Date: _____