


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

May 8, 2013

MEMORANDUM

To: Ms. Lisa O. Thomas, Principal
Burnt Mills Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2009, through March 31, 2013

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 April 30, 2013, with you, and Mrs. Aleyda V. Portillo-Holsey, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated December 16, 2009, 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 Regulation DIA-RB, *Payments for Personal Services and Reimbursements for Expenses from School Independent Activity Funds (IAFs)*, establishes guidelines and procedures for payments to employees and independent contractors. Payments made from IAF funds to independent contractors may be made only after IRS Form W-9 has been obtained. Such payments must be reported monthly to the Division of Controller (DOC) using MCPS Form 280-47A, *Independent Activity Funds*. Among your disbursements, we found that payment for services to an independent contractor was not reported to the DOC. We also found an instance in which an MCPS employee was paid directly

from IAF rather than being processed through the MCPS payroll system to ensure compliance with federal tax requirements regarding the reporting of income and the withholding of taxes. We recommend that payments for personal services be made and reported in compliance with the applicable regulations and procedures (see MCPS Financial Manual, p. 20-14).

Funds collected by sponsors for IAF activities must be remitted to the administrative secretary on the day they are received and accompanied by MCPS Form 280-34, *Remittance Slip*. We found that sponsors were using a variety of forms rather than Form 280-34. In addition, we found instances in which staff collecting funds for a fundraiser and field trips were holding funds rather than remitting them timely to the administrative secretary. We recommend that all staff who collect funds for school activities be reminded of remittance requirements (see MCPS Financial Manual, p. 7-4).

Review of field trip activities revealed that not all field trip sponsors are providing completed financial information to the administrative secretary at the completion of a 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 names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above.

Summary of Recommendations

- Payments to independent contractors must comply with MCPS Regulation DIA-RB;
- Payments to MCPS employees must be processed through the MCPS payroll system;
- Funds collected must be promptly remitted by sponsors to the administrative secretary using MCPS Form 280-34; 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.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Mrs. Portillo-Holsey which greatly facilitated our audit. 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. Myra J. Smith, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:GB:sd

Copy to:

Mr. Bowers
Dr. Statham

Dr. Schiavino-Narvaez
Mr. Sanderson

Dr. Smith
Mrs. DeGraba

Mrs. Milwit
Mrs. Chen



Our School... Where Children and Learning Come First



Burnt Mills Elementary School

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Ms. Lisa O. Thomas, Principal

Ms. Janice J. May, Assistant Principal

May 17, 2013

MEMORANDUM

To: Mr. Roger W. Pisha, Supervisor
Internal Audit

From: Lisa O. Thomas, Principal 
Burnt Mills Elementary School

Re: Response to Findings on Audit of Independent Activity Funds for the Period of
September 1, 2009 to March 31, 2013

The following are my responses to the findings and recommendations during the recent audit to our Independent Activity Funds for improvement and compliance to Montgomery County Public Schools (MCPS) policies and procedures:

- The administrative secretary and I will make sure that payments to MCPS employees are made in accordance with MCPS procedures and are reported according to the applicable regulations and procedures.
- The administration already has a process in place to ensure that we collect W-9 forms from independent contractors prior to services being rendered at our school.
- The administration met with staff members and reviewed the correct procedures to submit funds to the administrative secretary. We stressed to them that funds are to be turned in daily and that staff members are not to hold on to any funds. If funds are being held or if funds are lost or misplaced, the staff member responsible for the amount of the funds will be held accountable. We reminded staff members that all funds are to be accompanied by the MCPS remittance form. We also reminded staff members of the importance to submit the properly completed accounting forms at the conclusion of each field trip and/or before staff members check out at the end of the school year.

Thank you for your recommendations. I appreciate your support in ensuring that we follow all policies and procedures.

LOT:avp

Copy to: Dr. Smith