

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

July 10, 2020

MEMORANDUM

To: Mrs. Holly A. Gilbertson, Principal
Clearspring Elementary School

From: Mary J. Bergstresser, Acting Supervisor, Internal Audit Unit *mjb*

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2017, through February 29, 2020

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, and 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 April 16, 2020, virtual meeting with you; Mrs. Maureen H. Burns, school administrative secretary; and Mrs. Carol A. Kelly, visiting bookkeeper, we reviewed the prior audit report dated April 10, 2017, and the status of present conditions. It should be noted that the assignment of your school administrative secretary was effective in February 2019. 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 (refer to the *MCPS Financial Manual*, chapter 20, page 6). 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. In your action plan dated April 10, 2017, you stated that all invoices would be marked as received. In our sample of disbursements, prior approval was not consistently obtained, supporting documentation was not always marked to indicate satisfactory receipt of the goods or services, and online orders were not always shipped to the school directly. By requiring prior approval, the principal retains control over the expenditure of IAF funds. MCPS Form 280-54 must be prepared by staff with an estimate of expected expenditure and signed by the principal at the time verbal approval is sought. In addition, invoices need to show written indication that goods and services are received in the quantity and quality required and online orders must be shipped to the school directly.

Controls over cash receipts need improvement and MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, must be completed properly. In your action plan, you indicated that sponsors would remit funds on a daily basis to the school administrative secretary. We found that staff collecting funds were holding them, rather than remitting them timely to the school administrative secretary. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected must be remitted to the school administrative secretary daily (refer to the *MCPS Financial Manual*, chapter 7, pp. 4–5).

Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise. Taxable merchandise includes fundraiser items, clothing, and other items that become the personal property of the individual making the purchase (refer to the *MCPS Financial Manual*, Chapter 18, page 2). We noted t-shirt sales for which sales tax had not been collected and remitted to the State of Maryland. We recommend that the school complete a Combined Registration (CR) Application to register for a CR number with the state Comptroller to work toward full compliance for the collection and remittance of sales tax. Applications can be completed online at <https://interactive.marylandtaxes.com/webapps/comptrollercra/entrance.asp>.

Sponsors of field trips should have a complete class or club roster of student names and annotate how much each student paid, date paid, students who did not participate in the trip, and students who received waivers, scholarships, or reduced fees. This data should be remitted to the school administrative secretary at the completion of each trip and compared to remittances recorded in the trip account history report. In your action plan, you indicated that sponsors would complete MCPS Form 280-41, *Field Trip Accounting*, to document and maintain proper accounting of field trips. We found that not all sponsors are turning in completed data at the conclusion of each trip. Trip sponsors must use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, and provide complete data at the conclusion of each trip.

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Online orders must be shipped to the school.
- Cash handling process must conform to chapter 7 of the *MCPS Financial Manual* (**repeat**).
- Maryland sales tax not calculated and remitted on sales of taxable merchandise.

- Sponsors of field trip must submit MCPS Form 280-41, *Field Trip Accounting*, or its equivalent at the conclusion of each trip for reconciliation (**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 Dr. Mary Jane Q. Ennis, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools. Based on the audit recommendations, Dr. Ennis will indicate whether she 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:HT:sh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Johnson

Mr. Turner

Dr. Wilson

Mrs. Ahn

Mrs. Morris

Mrs. Camp

Mrs. Chen

Dr. Ennis

Mr. Marella

Ms. McGuire

Mr. Reilly

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2020	Fiscal Year: 2020
School: Clearspring ES - 706	Principal: Holly Gilbertson
OSSI Associate Superintendent: Mrs. Morris	OSSI Director: Dr. Ennis
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>3/1/17-2/29/20</u>, strategic improvements are required in the following business processes :</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Staff will be expected to complete the purchase request prior to buying supplies/materials.	Holly Gilbertson		Monthly checks	Holly Gilbertson & Maureen Burns Monthly	
Receipt provided before funds are distributed	Holly Gilbertson & Maureen Burns		Monthly checks	Holly Gilbertson & Maureen Burns Monthly	
Online orders shipped to the school- clarified with admin secretary and AP	Holly Gilbertson & Maureen Burns				
Teachers will submit money on a daily basis	Holly Gilbertson & Maureen Burns		Reminders in the staff bulletin	Holly Gilbertson Weekly	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Taxes will be calculated, collected, and remitted to the State of Maryland on sale of merchandise	Maureen Burns		Meet when materials are being offered to families to ensure the process is being followed.	Holly Gilbertson & Maureen Burns As needed	
Sponsors of field trips will complete the appropriate forms upon completion of the trip.	Maureen Burns		All forms collected- ensure they are entirely complete	Holly Gilbertson & Maureen Burns As needed	

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: .	
Director: <u> Jane Ennis </u>	Date: <u> 8/17/20 </u>