


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

May 16, 2023

MEMORANDUM

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

From: Mary J. Bergstresser, Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2020, through February 28, 2023

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 May 1, 2023, meeting with you and Mrs. Lisa L. Gruber, school administrative secretary (secretary), we reviewed the prior audit report dated July 10, 2020, and the status of the present conditions. It should be noted that Mrs. Gruber's assignment was effective September 1, 2021. 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

Independent contractors or consultants working in schools must comply with all laws and MCPS requirements set forth in the *Procurement Manual*. MCPS Form 280-49A: *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF)* is used to document authorization/approval for all consultant/independent contractor services paid with IAF. We found that this form had not been completed for all payments to

independent contractors during our audit period. We recommend that the project manager initiate MCPS Form 280-49A to document the authorization and approval to pay a consultant/independent contractor with IAF (refer to the *MCPS Financial Manual*, chapter 15, page 2).

In accordance with MCPS Regulation DIA-RB, *Payments for Personal Services from School Independent Activity Funds*, payments to MCPS employees must be processed through the MCPS payroll system to ensure compliance with federal tax requirements regarding the reporting of income and the withholding of taxes. We found that an employee was paid for sponsoring the Ukulele Club directly from the IAF. All payments to staff for Extracurricular Activities (ECA) must follow all established guidelines outlined in the ECA program handbook. We recommend that the school follow the guidelines outlined in the ECA program handbook and include the Ukulele Club in your class 1 ECA plan.

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 yearbook, school store, 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). In your action plan you indicated that you would remit tax to the State of Maryland on sale of taxable items. We noted the sale of chorus shirts for which sales tax had not been collected and remitted to the State of Maryland. We recommend since the school does not have a sales tax account with the State of Maryland that the school works with vendors to include sales tax on invoices related to taxable items and remit sales tax on their behalf.

Notice of Findings and Recommendations

- Disbursements to contractors that perform a service must have a MCPS Form 280-49A approved prior to service being provided.
- Payments to MCPS employees must be processed through the MCPS payroll system.
- Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise or paid to the vendor (**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 action plan, 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. Eugenia S. Dawson, director of school support and well-being, Office of Student Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Dr. Dawson 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 secretary to support you with developing a well-defined plan to address the findings.

MJB:LB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. Hull

Dr. Murphy

Ms. Reuben

Mr. Stockton

Mrs. Williams

Ms. Morris

Mr. Reilly

Mrs. Chen

Dr. Dawson

Ms. Eader

Mr. Klausling

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY23	Fiscal Year: FY23
School: Clearspring ES - 706	Principal: Holly Gilbertson
OSSWB Associate Superintendent: Diane Morris	OSSWB Director: Jeanie Dawson
Strategic Improvement Focus: As noted in the financial audit for the period <u>3/1/20-2/28/23</u> , strategic improvements are required in the following business processes : Independent Activity Funds	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Disbursements to contractors that perform a service must have a MCPS form 280-49A approved prior to service being provided	Lisa Gruber		Field Trip approval form- this will be added	Lisa Gruber/Holly Gilbertson As needed	
Payments to MCPS employees must be processed through the MCPS payroll system.	Lisa Gruber		Will create a form for staff to complete	Lisa Gruber/Holly Gilbertson As needed	
Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise or paid to the vendor.	Lisa Gruber		Will create a form for staff to complete when they want to order merchandise that students will purchase	Lisa Gruber/Holly Gilbertson As needed	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved

 Please revise and resubmit plan by _____

Comments: _____

Director: Eugenia S. Dawson, Ed.D.

 Date: 5/22/23