


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

January 22, 2020

MEMORANDUM

To: Dr. Myriam A. Yarbrough, Principal
Paint Branch High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2018, through October 31, 2019

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, 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 January 7, 2020, meeting with you and Mrs. Dawn R. Ford, school business administrator, we reviewed the prior audit report dated January 28, 2019, 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

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the school financial specialist. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (refer to the *MCPS Financial Manual*, chapter 7, pp. 4-5). We noted that the school financial specialist was not always making timely deposits. Large and infrequent deposits increase the possibility of loss of funds, as well as decrease the school's ability to fund activities. To minimize the risk of loss or

theft and provide availability of funds to meet school needs, all funds collected must be remitted to the financial specialist daily for prompt deposit.

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, physical education 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 that some fundraisers and athletic uniform sales for which sales tax had not been collected and remitted to the State of Maryland. The school must work toward full compliance by working with sponsors to determine activities for which sales tax must be collected and ensure that prices are set appropriately to include the tax so that activities do not operate at a loss.

Notice of Findings and Recommendations

- Funds collected by sponsors must be promptly remitted to the school financial specialist and deposited into school's bank on the same day (**repeat**).
- Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise.

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. Donna R. Jones, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Jones 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:lsh

Attachment

Copy to:

Members of the Board of Education
Dr. Smith
Dr. McKnight
Dr. Navarro
Dr. Statham
Dr. Zuckerman
Mr. Civin
Dr. Johnson
Mrs. Dyson

Mrs. Camp
Mrs. Chen
Ms. Diamond
Dr. Jones
Mr. Marella
Mr. Tallur
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY 2019 (11/18 - 10/19)	Fiscal Year: FY 2019 (11/18 - 10/19)
School: Paint Branch HS - 315 ▼	Principal: Myriam Yarbrough; Tracy Pettis-Jones
OSSI Associate Superintendent: Cheryl Dyson	OSSI Director: Donna Redmond Jones
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>11/18 - 10/31/19</u>, strategic improvements are required in the following business processes : --funds collected must be promptly remitted to financial specialist and deposited in the bank the same day; --retail sales tax must be collected and remitted to State of MD</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
A drop box has been installed in the main office work room to provide staff with unlimited access to deposit money in a secure location. The financial office continues to remind all staff of the policy and expectations to remit funds on a daily basis in writing and through the mandatory " Business Matters " training.	Dawn Ford	school finance manual; training materials	March 1, 2020 August 2020	initially by Tracy Pettis-Jones by March 1st; principal during pre-service each yr	deposit slips bank deposit receipts
Additional measures that have been put in place include email reminders to sponsors who host activities/collections from the financial specialist and documentation of repeat occurrences with a requirement to attend additional training. In the case of 3 or more instances with documented training and intervention, the ability to collect funds is revoked by the business office	Dawn Ford Tracy Pettis-Jones	school finance manual	Ongoing	Tracy Pettis-Jones / ongoing, Feb - June 2020	deposit slips bank deposit receipts
Staff members who collect fees will be reminded in mandatory training that they are required to collect taxes in accordance with the State of Maryland.	Chritina Keating Dawn Ford, SBA	school finance manual	April 1, 2020 August 2020	Tracy Pettis-Jones by April 1 initially every pre-service thereafter	fundraising packet; fundraising request form
Additional copies of the form are provided as a part of the fundraising packet to staff members. The financial specialist is strongly encouraging all teams and groups to use online companies that include tax as a part of the initial sale.	Christina Keating	school finance manual	Ongoing	Tracy Pettis-Jones/ ongoing	fundraising packet; fundraising request form

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Acting Principal, School Financial Specialist and School Business Administrator will complete School Finance Training according to the recommended training cycle.	Tracy Pettis-Jones Dawn Ford Christina Keating	PDO course schedule; prof leave	May 2020	Tracy Pettis-Jones	training attendance

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

Approved **Please revise and resubmit plan by** _____

Comments:

Director:  Date: 2/24/20