


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

January 26, 2017

MEMORANDUM

To: Mr. Edward K. Owusu, Principal
Shady Grove Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
July 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 January 13, 2017 with you; Mrs. Shella B. Cherry, assistant principal; and Mrs. Sharon A. Buyukcan, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated August 25, 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 (refer to *MCPS Financial Manual*, chapter 20, page 4). The purpose of each disbursement must be fully explained on this form in order to properly record expenditures in the appropriate accounts, and to ensure that the expenditures comply with IAF requirements. Invoices for goods or services must be signed by the purchaser to

indicate satisfactory receipt. Although improvement has been noted, our sample of disbursements identified instances in which prior approval was not obtained and that invoices were not signed by the purchaser for the goods or services. The certification of receipts establishes accountability for items or services purchased. We recommend that MCPS Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and that invoices be signed by the purchaser to indicate satisfactory receipt of goods or services prior to disbursement.

The cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with MCPS Form 280-34: *Independent Activity Fund (IAF) Remittance Slip*, to the school financial specialist on the day the funds are received. We found instances in which staff collecting funds for activities were holding rather than remitting them in a timely manner to the school financial specialist. In addition, we noted that funds remitted by sponsors were not always promptly deposited in the bank by the school financial specialist. To minimize the risk of loss, we recommend that the staff be encouraged to remit daily all funds collected for IAF activities to the school financial specialist for prompt deposit in accordance with MCPS requirements (refer to *MCPS Financial Manual*, chapter 7, page 4).

Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise (refer to *MCPS Financial Manual*, chapter 18, page 2). Taxable merchandise includes yearbooks, school store and fund-raiser items, physical education clothing, and other items that become the personal property of the individual making the purchase. We found that sales tax was collected and remitted only on school yearbook sales and not on other taxable items. We recommend that tax be collected on all taxable sales and remitted to the Comptroller of Maryland.

The yearbook sponsor is required to keep detailed records that includes 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 that all funds generated from this activity had been remitted. We recommend the yearbook sponsor be counseled and assisted with the record-keeping required for this activity.

MCPS Regulation DMB-RA, *Control of Admission Receipts*, provides procedures for the accounting of the sales of admission tickets. While we found receipts from most events were properly controlled, we found that there was no inventory of tickets for two admission events. This effectively eliminated the vital control that results from having all tickets distributed by a ticket controller who is independent of the event sponsor. Therefore, we were unable to determine whether or not all admission receipts were submitted to the school financial specialist for two drama productions. We recommend that admissions to all events be controlled in accordance with the above cited regulation.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement **(repeat)**.
- Purchaser must confirm receipt of goods or services prior to disbursement **(repeat)**.
- Funds collected by sponsors must be promptly remitted to the school financial specialist **(repeat)**.
- Funds remitted by sponsors must be promptly deposited in the bank by the school financial specialist.
- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland **(repeat)**.
- Yearbook sponsor records must account for the number of books purchased, sold, distributed at no cost, and ending inventory.
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA **(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*, please provide a response to the Internal Audit Unit within 30 calendar days of this report, with a copy to Mrs. Elizabeth L. Thomas, 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:LAS:lsh

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Dr. Williams

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Tallur

Mrs. Thomas

Mr. Ikheloa



“Give your best every day and your best will come back to you.”

March 3, 2017

MEMORANDUM

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

From: Mr. Edward Owusu, Principal

Subject: Response to Report on Audit of Independent Activity Funds for the Period
July 1, 2015, through December 31, 2016

CC: Ms. Beth Thomas, Director, Office of School Support and Improvement

As a result of findings from the Report on Audit of Independent Activity Funds for the Period July 1, 2015, through December 31, 201, Independent Activity Fund (IAFs) reporting procedures have been revised and reviewed with staff.

As discussed with and noted by Mr. Lary Scollick, the internal auditor, at the exit conference, significant and consistent improvements will be made from this point forward. My thanks to Mr. Scollick for his thoroughness in his report and for taking the time to meet with several staff members to explain policies and procedures and the reasoning behind them.

The findings and recommendations of the report are addressed in the order they appear on the attached Fiscal Management Action Plan.

Thank you for your support and assistance in my efforts to keep Shady Grove Middle School on firm fiduciary reporting ground. I hope to continue to be able to call upon you and the services of your office to further improve the handling of Shady Grove's IAF reporting.

If you have any additional questions or need clarification, please let me know.

Copy to:

- Dr. Smith
- Dr. Navarro
- Dr. Statham
- Dr. Zuckerman
- Mr. Civin
- Dr. Johnson
- Dr. Williams
- Mrs. Camp
- Mrs. Chen
- Ms. Diamond
- Mr. Tallur
- Mrs. Thomas
- Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

School: Shady Grove Middle School

Principal: Edward Owusu

Fiscal Year: 2017

Associate Superintendent: Dr. Darryl Williams

Director: Ms. Elizabeth Thomas

Strategic Improvement Focus:

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

- Purchase requests approval
- Receipt confirmation for goods or services prior to disbursement
- Prompt remittance and deposit of collected funds
- Sales Tax collection and remittance
- Accurate sponsor accounting records
- Control of Admissions Receipts

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
Financial Specialist will use Weekly Request for Purchase Checklist. Prior to approval of purchases, MCPS form 280-54 will be reviewed for proper signatures and expenditures will be verified by the Financial Specialist and Principal to ensure Compliance with IAF Requirements. Form 280-54 shall be prepared by staff and signed, dated by the Principal.	Sharon Buyukcan Edward Owusu	n/a	Request for Purchase Checklist (Weekly)	Bi -weekly ongoing meetings with Principal	Purchase Checklist initialed by Financial Specialist
Introductory and midyear training - expectation reminders will be provided to all staff responsible for collecting funds from students.	Staff sponsors Sharon Buyukcan		Training plan. Staff shall be reminded of expectation to remit promptly all funds to the Financial Specialist daily.	Weekly ongoing meetings with Principal	Regular deposits to bank

FINANCIAL MANAGEMENT ACTION PLAN

School: Shady Grove Middle School

Principal: Edward Owusu

Fiscal Year: 2017

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
Sales Tax will be added to all t-shirt and yearbook Sales.	Sharon Buyukcan		Update to year end Checklist that will include sales tax additions.	Supervising administrator	Yearbook receipts
All ticket sales shall be returned to Financial Specialist on the day of sales and deposited by Financial Specialist.	Sharon Buyukcan		Drama Fundraising Checklist updated.	Drama sponsor and Sharon Buyukcan – as needed.	Drama Fundraising Checklist
All invoices for goods and services will be signed by the Financial Specialist at time of delivery to ensure satisfactory receipt of all items.	Sharon Buyukcan		Invoices signed and dated by Financial Specialist.	As needed based on delivery schedule.	Invoices signed and dated by Financial Specialist.

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

Approved Please revise and resubmit plan by _____

Comments: _____

Director: _____



Date: 3/13/17