


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

March 5, 2018

MEMORANDUM

To: Mrs. Irina LaGrange, Principal  
Tilden Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
March 1, 2016, through December 31, 2017

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 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 February 26, 2018, meeting with you and Mrs. Mei L. Chung, school financial specialist, we reviewed our prior audit report dated March 14, 2016, 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

To properly control funds, all cash and checks collected by sponsors for IAF activities should be remitted promptly to the school financial specialist. These funds should then be verified in the presence of the remitter, and a receipt that is supported by MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, should be issued promptly. We found instances in which funds were held by sponsors rather than being remitted in a timely manner to the school financial

specialist on a daily basis, and not always promptly deposited into the school's bank account. To minimize the risk of loss and provide availability of funds to meet school needs, we recommend that all funds collected be remitted daily to the school financial specialist for prompt deposit (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. 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 *MCPS Financial Manual*, chapter 18, page 2). We found that sales tax was collected and remitted only on yearbook sales. We recommend that the school financial specialist instruct sponsors as to which activities require the collection of sales tax to comply with state law.

Sixth grade students at each middle school in MCPS participate in a three-day, two-night residential outdoor environmental education program (OEEP) for which they are assessed a \$76 fee to reimburse MCPS for the cost of personal expenses associated with the program. Students unable to pay the OEEP fee receive waivers that must be reported to MCPS so that the total amount of the invoice billed to schools is adjusted accordingly. A school also may charge an activity fee in addition to the OEEP fee. If the combined total amount a student can afford to pay for the OEEP fee plus the school's activity fee equals \$76 or less, the entire combined amount received from the student is to be remitted to Outdoor Education (refer to *OEEP Grade 6 Residential Program Handbook and Planning Information*, page 41). We found that the school did not correctly report all funds collected from students who were identified as needing assistance which then resulted in an underpayment to MCPS. We also noted that you collected funds from more students than for whom you were billed, indicating an inaccurate head count. We recommend that you review the procedures for reporting students needing financial assistance with the OEEP sponsor and that the financial assistance forms are reviewed for accuracy before they are submitted. We also recommend you reconcile your account to determine that all students who paid and attended were properly reported to MCPS.

#### Summary of Recommendations

- Funds collected by sponsors must be promptly remitted to the school financial specialist.
- Remitted funds must be promptly verified, receipted, and deposited in the bank by the school financial specialist.
- Tax must be collected on all taxable sales and remitted to the Comptroller of Maryland.
- OEEP sponsor records must correctly report funds collected and waivers granted for all participating students.

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. Michael J. Zarchin, director of school support and improvement of middle schools. Based on the audit recommendations, Dr. Zarchin will indicate whether he will conduct an electronic review of your action plan or schedule a time to meet in person with you and your financial specialist to support you with developing a well-defined plan to address the findings.

RWP:AMB:sh

Attachment

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

Dr. Zarchin

Mr. Ikheloa

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> FY18	<b>Fiscal Year:</b> FY18
<b>School:</b> Tilden MS - 232	<b>Principal:</b> Irina LaGrange
<b>OSSI Associate Superintendent:</b> Dr. Darryl Williams	<b>OSSI Director:</b> Dr. Michael Zarchin
<p><b>Strategic Improvement Focus:</b>          As noted in the financial audit for the period <u>3/1/16-12/31/17</u>, strategic improvements are required in the following business processes :</p> <p>(1) Cash Receipts (2) Sales Tax (3) Outdoor Ed Accounting Reconciliation</p>	


Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
SFS has reviewed Chapter 7 of the MCPS Finance Manual. Staff will be reminded to remit funds daily to SFS even if it is all checks	Staff, SFS	MCPS Finance Manual Chapter 7	Monthly Staff Meeting	Principal, Monthly	Remit funds as fund collected along with completed MCPS Form #280-34 to SFS
SFS will verify cash and checks in the presence of sponsors and issues receipt the day she received the funds. SFS will deposit the funds in the bank promptly.	SFS	MCPS Finance Manual Chapter 7	Periodic sampling of Remittance/deposit records	Principal, Monthly	Never more than \$250 held in safe overnight and none over weekend
Staff will be reminded to collect tax on taxable sales. SFS will remit tax to the Comptroller of Maryland	Staff, SFS	Sales Tax Forms	Collected tax on sale items	Principal, Quarterly	Collected tax and remit to the Comptroller of Maryland
OE Sponsor records must correctly report funds collected and waivers granted for all participating students	OE Sponsors, SFS	MCPS Finance Manual Chapter 20	Field trip checklist and accounting spreadsheet	SFS, Annually	Sponsor and SFS must determine the cause if the reconciliation results in an overage or shortage

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

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

**Approved**       Please revise and resubmit plan by \_\_\_\_\_

Comments:

Director:  \_\_\_\_\_ Date: 4-10-18