


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

September 24, 2020

MEMORANDUM

To: Mr. Craig W. Staton, Principal  
Julius West Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
November 1, 2018, through July 31, 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 September 11, 2020, virtual meeting with you; Mrs. Stephanie W. Nesmith, principal intern; and Mrs. Sheila B. Brooks, school financial specialist, we reviewed the prior audit report dated November 20, 2018, 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 the *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 appropriate accounts and to ensure that expenditures comply with IAF requirements. In our sample of disbursements we found prior approval was not

consistently obtained, some sponsors used personal credit cards for large expenditures, and documentation was not annotated by recipient to indicate purchased goods or services were satisfactorily received. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditure and signed by the principal at the time verbal approval is sought. Certain sponsors would benefit from having an annual budget detailing expected income and expenses and obtaining your approval at the beginning of the school year. These budgets should be monitored by your school financial specialist and revised if necessary. We also recommend that staff indicate on the documentation if all items or services were received satisfactorily.

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). In your action plan, you indicated that sales tax would be calculated and remitted to the State of Maryland on all taxable items. We noted T-shirt sales for which sales tax appeared to be included and collected but was not remitted to the State of Maryland. We recommend that the school work toward full compliance by maintaining a sales tax worksheet to track taxable merchandise and to ensure sales tax was collected and remitted to the State of Maryland.

The MCPS Division of Food and Nutrition Services (DFNS) approved vendor, for the centralized vending contract, assures that all items available to purchase by schools are compliant with MCPS regulation JPG-RA, *Wellness: Physical and Nutritional Health*. In your action plan, you indicated non-compliant items would be depleted and replaced with compliant items. We noted there were food and beverage items, sold during the school day to students, which were being purchased from sources that did not provide assurance the items comply with regulation JPG-RA. When food items and beverages, sold to students during the instructional day, are purchased from sources other than the DFNS approved vendor, information from the product ingredient/nutrition label must be entered into the Smart Snack Product Calculator. The calculator will determine whether the product meets the required nutrition standards and a report can be printed for documentation. The calculator is available at <https://foodplanner.healthiergeneration.org/calculator>. The printed report from the calculator is to be filed with your school financial agent and available for future audit review.

#### Notice of Findings and Recommendations

- Purchase requests, MCPS Form 280-54, must be approved by the principal before proceeding with the intended purchase.
- Receiver must initial on the invoice/packing slip to indicate goods/services are satisfactorily received.
- Sales tax must be collected on all taxable merchandise and remitted the State of Maryland.
- School must ensure that all food items available to be purchased by students are in compliance with MCPS regulation JPG-RA, *Wellness: Physical and Nutritional Health*.

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. Peter O. Moran, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools. Based on the audit recommendations, Dr. Moran 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 school financial specialist 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. Johnson

Dr. Wilson

Mrs. Ahn

Mrs. Dyson

Mrs. Camp

Mrs. Chen

Mr. Marella

Dr. Moran

Mr. Tallur

Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> 2020	<b>Fiscal Year:</b> 2020
<b>School:</b> Julius West MS - 211	<b>Principal:</b> Craig W. Staton
<b>OTLS Associate Superintendent:</b> Cheryl Dyson	<b>OTLS Director:</b> Dr. Peter O. Moran
<p><b><u>Strategic Improvement Focus:</u></b>          As noted in the financial audit for the period <u>11/1/18-7/31/20</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 to submit RFP Form 280-54 before making purchases of any kind, more than \$25.00, verbal approval included.  School store will be given a budget to spend without using RFP's for each individual purchase.	Staff, School Financial Specialist, Principal	MCPS Form 280-54 Independent Activity Funds Request for Purchase	Beginning of the year financial reminders via email and subsequent email reminders from principal	SFS and Principal will schedule biweekly meetings to review dates of RFP's and receipts or invoices	Purchases to be reimbursed are subject to no reimbursement without prior approval.
Sales tax for FY 2020 that was unpaid has been added to the 2021 spreadsheet, which will also insure the 2021 taxes for fundraisers and any shirts sold will also be paid without being overlooked, by being entered at time of end of activity	School Financial Specialist	FY 2021 spreadsheet and Account Reconciliations	Account reconciliations, end of year sales tax report and sales tax calculation spreadsheet	SFS to enter tax calculation on spreadsheet at time of end of activity	Sales tax information will be collected on 2021 spreadsheet at time of end of activity, so as not to be missed at tax reporting time
The Smart Snack Product Calculator will be shared with the School Store Sponsor to insure the purchases from outside vendors meet the MCPS DFNS approved guidelines, along with the findings from this recent audit so that JWMS is in compliance with the MCPS nutritional guidelines.	School Store sponsor/SFS/Principal	School Store Policy Regulations/Lists of approved foods	Receipts of items bought for sale	Sponsor will avoid unapproved items. SFS will review receipts closely. Principal will regularly check	Food items in the school store at the moment will be offered to incoming staff during the pandemic in an attempt to deplete old inventory as long as they
				school store shelves for approved/unapproved items stocked.	remain.

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**OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL**

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

Comments: \_\_\_\_\_

Director: Peter O. Moran / ens      Date: 11-6-20