


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 4, 2019

MEMORANDUM

To: Mrs. Renay C. Johnson., Principal
Montgomery Blair High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2017, through March 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 May 20, 2019, meeting with you and Mr. James W. Funk, school business administrator, we reviewed the status of the conditions described in our prior audit report dated March 23, 2018, noting improvements made, 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

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the school financial specialist together with MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*. Cash should be counted in the presence of the remitter and a receipt that is supported by the MCPS Form 280-34 should be issued promptly. Remittances received should, in turn, be promptly deposited into the school's bank account. In

addition, all remittances on hand must be deposited before each weekend or holiday. Large and infrequent deposits increase the possibility of loss of funds as well as decrease the school's ability to fund activities. We found that some sponsors were holding funds collected, rather than remitting them to the school financial specialist on a daily basis, and not all remittances were accompanied by MCPS Form 280-34. We also found instances in which there was a delay in issuance of receipts and depositing of funds. To improve controls, we recommend adoption of the procedures in the *MCPS Financial Manual*, chapter 7, pp. 3-4.

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 noted athletic student purchases and school store apparel sales for which sales tax had not been collected and remitted to the State of Maryland. We also were unable to determine how sales tax was calculated on many items and if all necessary tax was remitted for sale of yearbooks. We recommend that the school achieve full compliance by working with sponsors to determine activities for which sales tax must be collected and ensure that the tax due is properly calculated.

Sponsors of field trips should have a complete class or club roster of all eligible students and annotate how much each student paid, date paid, students who did not participate in the trip, and students who received waivers, scholarships, or reduced fees. This data should be submitted to the business office at the completion of each trip, and compared to remittances recorded in the trip account history report. The data also should be used to estimate future trips. We found that not all sponsors were submitting completed data at the conclusion of each trip and that data was not being compared to the final account history report. We also found instances in which fees collected were not sufficient to pay for a trip. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, and provide complete data at the conclusion of each trip. This data must be reconciled, by the school financial specialist, with remittances recorded in activity accounts. We further recommend trip planning be reviewed to ensure established fees are commensurate with trip expenses (refer to *MCPS Financial Manual*, chapter 20, page 10).

Fundraising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We found that there was a lack of adherence to these guidelines. We found that not all sponsors were preparing fundraiser request forms to obtain your approval prior to the start of an activity. We also noted that not all sponsors were submitting a completion report at the conclusion of the fundraiser. A completion report for an activity involving the sale of items should include the total number of items for sale and cost of each, selling prices, and any remaining inventories to determine whether all sums collected were remitted to the school financial specialist. We also noted that school clubs were conducting online fundraisers and did not follow the procedures outlined in the memorandum jointly issued by the deputy superintendent of school support and improvement, general counsel, and chief financial officer (refer to *Guidelines for Crowd-funding and Other Online Fundraising*, July 26, 2018, attach). Following these internal control procedures provides for accountability of funds raised, as well as the opportunity to evaluate the results at the conclusion of the event. We recommend that each fundraiser be approved by the principal, or designee, in writing and the approval retained in the school office. Financial

activities for each fundraising activity should be recorded in a separate account in the 7000 series and a completion report prepared that analyzes the results (refer to *MCPS Financial Manual*, chapter 20, page 13).

Summary of Recommendations

- Cash and checks collected by sponsors must be promptly remitted with MCPS Form 280-34 to the school financial specialist **(repeat)**.
- Cash and checks remitted by sponsors must be promptly receipted and deposited in the bank by the school financial specialist.
- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland **(repeat)**.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip **(repeat)**.
- Fundraising must conform to *Guidelines for Sponsoring an IAF Fund Raiser* **(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 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 Mr. Eric A. Wilson, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mr. Wilson 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 agents to support you with developing a well-defined plan to address the findings.

RWP:MJB:lsh

Attachments

Copy to:

Members of the Board of Education
Dr. Smith
Dr. Navarro
Dr. Statham
Dr. Zuckerman
Mr. Civin
Dr. Johnson
Mrs. Morris
Mrs. Camp
Mrs. Chen

Ms. Diamond
Mr. Wilson
Mr. Tallur
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 18/19	Fiscal Year: 18/19
School: Montgomery Blair HS - 757	Principal: Renay Johnson
OSSI Associate Superintendent: Diane Morris	OSSI Director: Eric Wilson
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>11/1/17-3/31/18</u>, strategic improvements are required in the following business processes :</p> <p>Cash receipts, sales tax remittance, field trips and fund raising.</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Detailed review of audit findings to discuss best practices , process improvements and corrective action necessary.	School Business Administrator (SBA) School Financial Specialist (SFS)	Audit Analyst - M.J Bergstresser	None	SBA , 6/26/19	Meeting completed on 6/26/19.
Cash receipts to be processed daily.	SFS Sponsors Teachers	None	Deposit Reports Install Drop Box	Sponsors/teachers to submit all monies daily. SFS to count and verify deposits received.	Daily deposits are received and verified. Bank deposits made daily.
Outdated school based field trip process with be updated to include MCPS tools and worksheets. Class rosters will be included to assist with payments, attendance and the closeout process. SBA will perform final review on all packages for completeness. Checklist developed to ensure that all items are completed prior to final approval.	SBA SFS	Current MCPS field trip guidelines and calculators.	New FT Process Checklist Field Trip submission package reviewed bt SFS and SBA	Status of all field trips reviewed by SBA and SFS in weekly meeting.	Field trips will have complete and accurate documentation. Trips will be closed out and fully funded.
Process to identify all taxable items will be developed. Information will be entered onto a spreadsheet to manage taxable items and accounts. Spreadsheet will ensure that all required taxes are collected and paid.	Sponsors SBA SFS Athletic Director	MCPS Financial Manual - Chapter 18	Account Records Fund raising completion reports Yearbook Reports Athletic accounts	SFS and SBA to review account records and reports daily.	All required sales tax is collected and remitted properly.

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Fund raising work flow and processes to be reviewed and updated to ensure compliance with MCPS guidelines. This includes crowd funding guidelines.	Sponsors SFS SBA	MCPS fund raising guidelines and crowd funding guidelines.	New Fund Raiser Checklist Fund raiser request & promotional materials Fund raiser completion report	Sponsor, SFS and SBA to review packages for accuracy and completeness.	All fund raisers to be documented properly, reviewed for accuracy and completeness. Final review for profitability and taxes.
Continue staff education regarding all IAF requirements and procedures. Meet direct with new staff members and staff having compliance issues. Refer to Principal when necessary.	Sponsors SFS SBA Principal	MCPS Independent Activity Funds Manual	ILT, Preservice and department meetings. E-mail reminders Written Documentation	All Staff as necessary.	Complete understanding of IAF requirements. All accounts maintained and documented properly.

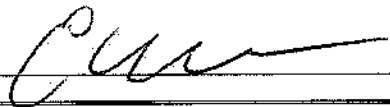
OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL

Approved

Please revise and resubmit plan by _____

Comments:

Director: _____



Date: _____

6/28/19