


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

April 25, 2018

MEMORANDUM

To: Mr. Xavier Kimber, Principal
Brookhaven Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2016, through February 28, 2018

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 and are 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 April 18, 2018, meeting with you and Mrs. Isabel M. Vidal, school administrative secretary, we noted that there were no findings contained in our prior audit report dated July 29, 2016, and reviewed the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2017. 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

If an independent contractor is not currently listed in School Funds Online (SFO) as a districtwide vendor, IRS Form W-9, *Request for Taxpayer Identification Number and Certification*, must first be obtained and forwarded to the Division of Controller (DOC) prior to making any payment. The DOC annually reviews payments made to all districtwide vendors for issuance of Internal Revenue

Service (IRS) Forms 1099-MISC, *Miscellaneous Income*, in compliance with federal tax reporting requirements (refer to MCPS Regulation DIA-RB, *Payments for Services and Reimbursements for Expenses from School Independent Activity Fund*). Among your disbursements, we found that payment for services to an independent contractor did not follow these procedures. We recommend that payments for personal services be made and reported in compliance with the IRS Code as well as applicable MCPS regulations and procedures (refer to *MCPS Financial Manual*, chapter 18, pp. 3-5 and chapter 20, page 15).

To minimize the risk of loss and provide assurance that funds will be available to meet school needs, all funds collected should be remitted together with MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, to the school administrative secretary daily for prompt deposit in the bank (refer to *MCPS Financial Manual*, chapter 7, page 4). We noted that staff collecting funds for fundraisers and Preschool Education Program Pilot tuition were not remitting them in a timely manner to the school administrative secretary. We recommend that sponsors remit funds collected promptly to the school administrative secretary.

Summary of Recommendations

- Independent contractor payments must comply with IRS Code and MCPS Regulation DIA-RB.
- Funds collected by sponsors must be promptly remitted to the school administrative secretary.

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 Ms. Cheryl L. Dyson, director of school support and improvement of elementary schools. Based on the audit recommendations, Ms. Smith 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 financial agent to support you with developing a well-defined plan to address the findings.

RWP:GWB:lsh
Attachment

Copy to:

Members of the Board of Education
Dr. Smith
Dr. Navarro
Dr. Statham
Dr. Zuckerman

Mr. Civin
Dr. Johnson
Dr. Kimball
Mrs. Camp
Mrs. Chen

Ms. Diamond
Ms. Dyson
Mr. Reilly
Mr. Tallur
Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2017-1018

Fiscal Year: 2017-1018

School: Brookhaven ES - 807

Principal: Xavier Kimber

OSSI

Associate Superintendent: LaVerne Kimball

OSSI

Director: Cheryl Dyson

Strategic Improvement Focus:

As noted in the financial audit for the period 7/1/16 to 2/28/18, strategic improvements are required in the following business processes :

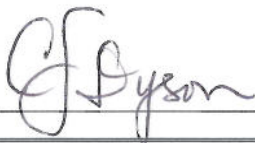
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Independent contractor payments must comply with IRS Code and MCPS Regulation DIA-RB	Administrative Secretary, Contractor and Principal		Collect all IRS Form W-9 for TIN, for any independent contractor that have not already been approved from MCPS prior to making payment	As needed	Obtain and forward IRS form W-9 to the Division of Controller
Funds collected by sponsors must be promptly remitted to the school administrative secretary	Administrative Secretary	Form 280-34	Cash collected by sponsors will be submitted to administrative secretary in a promptly matter and documented using form 280-34	Administrative secretary and/or principal will speak to sponsors during in service week	Receipts of funds submitted to administrative secretary in a timely matter and form 280-34 completed for bank deposit

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: 05.01.2018