


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

October 21, 2016

MEMORANDUM

To: Mr. John W. Taylor, Principal
Cabin John Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2014, through August 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 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.

In our meeting on October 18, 2016, with you and Mrs. Maggie H. Tung, school financial specialist, we reviewed our prior audit report dated February 11, 2015, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2016. 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 appropriate accounts, and to ensure that expenditures comply with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our random sample of disbursements, we found that invoices were not signed by the purchaser. By requiring prior approval and complete documentation, the principal retains control over the expenditure of the IAF funds. We recommend that invoices be signed and dated by the purchaser, and attached to the MCPS Form 280-54 prior to payment.

Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, eligible students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be provided to the school financial specialist 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 are providing completed data at the conclusion of each trip. We also found instances in which fees collected exceeded sums needed to pay for a trip. We recommend that trip sponsors use MCPS Form 280-41: *Field Trip Accounting*, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip. We further recommend that trip planning be reviewed to ensure that established fees are commensurate with trip expenses (refer to *MCPS Financial Manual*, chapter 20, page 10).

Retail sales tax must be collected by the school and remitted to the Comptroller of Maryland on the sales of all taxable merchandise. Taxable merchandise includes yearbook, 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 work toward full compliance by working with sponsors to determine activities for which sales tax must be collected and ensure that prices are set appropriately to include the tax so that activities do not operate at a loss.

Summary of Recommendations

- Purchase invoices should be signed and dated by the purchaser to indicate satisfactory receipt of goods or services.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate.
- Field trip fees should be commensurate with trip expenses.
- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.

Other matters were discussed and satisfactorily resolved. We appreciated 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 Dr. Michael J. Zarchin, director of school support and improvement of secondary 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:SMY:lsh

Copy to:

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Financial Management Plan

School: Cabin John Middle School

Principal: John Taylor

OSSI Approval: _____

Date of Approval: _____

Findings and Recommendations of School's Financial Audit for Dec 1, 2014 to Aug 31, 2016	Description of Resolution and Person(s) Responsible	Timeline	Evidence of Completion
Purchase invoices should be signed and dated by the purchaser to indicate satisfactory receipt of goods and services.	Purchaser(s) have been directed to sign the invoice after verifying that all goods are received in order to indicate satisfactory receipt of goods. Invoices are checked by administration and the school financial agent.	Since the audit report, purchasers are signing all invoices.	FY16 and forward will show evidence of all invoices being signed by purchaser.
Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate.	Field trip procedures have been clarified to ensure that all sponsors include comprehensive data to account for all eligible student participants. Field trip forms are checked for accuracy by administration and the school financial agent.	Since the audit report and clarification, all field trip sponsors have been using MCPS form 280-41 or the equivalent.	FY 16 and forward will show evidence of improved field trip data and accuracy.
Field trip fees should be commensurate with trip expenses.	Field trip procedures have been clarified to ensure that all sponsors are using the Field Trip Cost Calculator when determining fees.	Since the audit report, fees are calculated to ensure alignment with costs.	FY 16 and forward will show evidence of improved field trip cost calculations.
Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.	Staff who sponsor activities for which sales tax must be collected will account for this cost and all required sales tax will be collected and remitted to the Comptroller of MD by administration and the school financial agent.	Since the audit report, all sales tax has been collected and remitted.	FY 16 and beyond will show evidence of sales tax being collected when required and remitted to the state.