


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

June 17, 2016

MEMORANDUM

To: Mr. James G. Fernandez, Principal
Albert Einstein High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2015, through April 30, 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 IAFs are administered in accordance with MCPS policies, regulations, and procedures.

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 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 June 13, 2016, with you, Mr. Simon Seaforth, business administrator, and Mr. Juan Ramos, financial specialist, we reviewed the status of the conditions described in our prior audit report dated June 22, 2015, 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, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase. 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. After the purchase is completed, the purchaser must submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the financial specialist (see MCPS Financial Manual, pp. 20-6, 20-7). In our sample of disbursements, we found invoices were not always signed by the receiver. We also noted the

purchase of gift cards for staff members; a prohibited expenditure unless the funds are contributed by staff. We recommend that all invoices for goods or services be annotated to indicate satisfactory receipt prior to disbursement.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card Users Guide*. By the fifth of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements must be printed and provided to the principal, or designee, with all purchase receipts and invoices attached. The principal, or designee, must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. We noted that most cardholders had not promptly prepared their monthly statements, or reviewed their transactions in the online reconciliation program by the 5th of the following month. We also noted that the principal had not approved all transactions online. Action is needed to correct these conditions and bring purchasing card usage into conformity with MCPS

Retail sales tax must be collected by the school and remitted to the State of Maryland on the sale of all taxable merchandise. Taxable merchandise includes yearbook, school store, fund-raiser items, physical education clothing, athletic student purchases and other items that become the personal property of the individual making the purchase (see MCPS Financial Manual, p. 18-2). We found that sales tax not remitted for all taxable activities. We recommend that the school move 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 generate a loss.

Summary of Recommendations

- Purchaser must confirm receipt of goods or services prior to disbursement;
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*; and
- 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 office within 30 days of this report, with a copy to Mr. Kevin Lowndes, director of high schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

Dr. Zuckerman	Mrs. Chen
Dr. Statham	Mrs. DeGraba
Dr. Navarro	Mr. Lowndes
Dr. Williams	Mrs. Milwit

Fiscal Management Action Plan

School: Albert Einstein High School

Principal: James G. Fernandez



Approved by associate superintendent: _____ Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Purchasers must confirm all receipt of goods or services prior to disbursement</p>	<p>The School Business Administrator and Financial Agent are responsible for monitoring this activity and implementing a training and evaluation that the procedures are established and followed. The training will begin during preservice week in a session with all staff that possess or use a p-card. Evaluation will continue during the school year as the usage of the p-card is monitored.</p>	<p>To begin with the teacher preservice session and continued monitoring during the school year.</p>	<p>Communication between the teachers and financial office with a reduction/elimination of purchasing mistakes. No goods/services purchased without prior authorization.</p>
<p>P-card activity must comply with the MCPS Purchasing Card User's Guide.</p>	<p>Read and respond. I am a new SBA and it is my responsibility to read and understand the information in the Guide and to communicate this with my school staff.</p>	<p>Now</p>	<p>Goods/service will not be purchased with prior approval and the statutes/guidelines in the Guide to be followed. Form 200-54 will be required.</p>
<p>Tax must be collected or taxable sales and remitted to the Comptroller of Maryland</p>	<p>This is a training and follow-up issue. Sponsors must know when goods/services are taxed and when they are not taxed.</p>	<p>As soon as possible.</p>	<p>Ensure that the taxes are forwarded by the 5th day of each month.</p>

Note: A copy of the approved plan is to be sent to the Internal Audit Office, URSC suite 3380