


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 22, 2016

MEMORANDUM

To: Mrs. Dyan L. Harrison, Principal
Kingsview Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2015, through September 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 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 November 16, 2016, with you and Mrs. Elisabeth Gross, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated February 27, 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

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 yearbooks, school store and 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 some fundraiser and student sales that had not remitted sales tax to the State of Maryland. We recommend that the school collect and remit sales tax for all taxable merchandise.

Summary of Recommendations

- 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. Eric L. Minus, 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:

Members of the Board of Education

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Mrs. Chen

Mrs. DeGraba

Ms. Diamond

Dr. Minus

Mr. Ikheloa



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December 16, 2016

MEMORANDUM

To: Mr. Roger W. Pisha, Supervisor
Internal Audit Unit

From: Mrs. Dyan L. Harrison, Principal

Subject: Response to November 2016 Audit of Independent Activity Funds

The purpose of this memorandum is in response to the Independent Activities Fund Audit findings for the period January 1, 2015, through September 30, 2016. I would like to thank the Internal Audit Office of Montgomery County Public School (MCPS) for their support, guidance, and considerable time. The actions that are detailed below are in direct response to specific findings documented in the Kingsview Middle School Audit Report. I believe the actions will ensure that Kingsview Middle School is in compliance with the financial policies and procedures directed by MCPS.

Finding

- 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 and fundraiser items, physical education clothing and other items that become the property of the individual making the purchase.

Action

- The financial agent and the principal will communicate to staff/sponsors that all orders must be inventoried before they take possession of items received, to determine taxable amount for remittance.
- The financial agent and principal will regularly review the spreadsheet of the accounts related to taxable merchandise.
- The financial agent will transfer all sales tax to the appropriate account for remittance to the Comptroller of Maryland at the end of the every activity.

Copy to:
MCPS Internal Audit Office
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