MEMORANDUM

To: Dr. Tiffany N. Awkard, Principal
    Silver Creek Middle School

From: Mary J. Bergstresser, Supervisor, Internal Audit Unit

Subject: Report on Audit of Independent Activity Funds for the Period
         May 1, 2021, through September 30, 2022

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 and 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 December 1, 2022, meeting with you; Mr. David J. O’Shell, assistant principal; and Ms. Roxana Rivera Diaz, school financial specialist, we reviewed the prior audit report dated June 7, 2021, 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, Independent Activity Funds Request for a Purchase, is used to obtain principal approval to proceed with an intended purchase (refer to the 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. The school financial specialist will then mark the documentation as “paid” prior to disbursing the funds. In our sample of disbursements, we found instances in which controls over purchases were weakened including incidents where documentation was missing or not adequate to assure the school benefited from the purchase, documentation supporting purchases were not stamped or marked “paid”, and invoices and online purchase confirmations were not always signed by the receiver to indicate goods or services were received, and that payment could be processed. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditure and signed by the principal at the time verbal approval is sought. We also recommend that all support documents be marked “paid”, and when goods are received at the school that the purchase be verified as complete by the recipient and that the invoice/packing slip be marked “received” and sign/dated by the recipient. Requiring invoices to be marked “received” ensures that goods or services have been satisfactorily received prior to payment.

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the school financial specialist. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (refer to the MCPS Financial Manual, chapter 7, pp. 4-5). We found instances in which funds were held by sponsors rather than being remitted on a daily basis to the school financial specialist and they were not always promptly deposited into the school’s bank account. To minimize the risk of loss and provide availability of funds to meet school needs, all funds collected must be remitted daily to the school financial specialist for prompt deposit.

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 the MCPS Financial Manual, chapter 18, page 2). We found that you did not remit sales tax to the State of Maryland on the sale of yearbooks. We recommend that the school work toward full compliance by maintaining a sales tax worksheet to track taxable merchandise and to ensure sales tax was collected and remitted to the State of Maryland. The sales tax not remitted to the state for Fiscal Year (FY) 2022 will need to be remitted in FY 2023.

Notice of Findings and Recommendations

- Purchaser must confirm receipt of goods or services prior to disbursement.
- Purchase invoices must be annotated as “paid” to indicate disbursement was made.
- Purchase documentation must be adequate to support disbursements.
- Cash and checks (funds) collected by sponsors must be promptly remitted to the school financial specialist and deposited in the bank by end of the month and before each weekend or holiday.
- Sales tax must be collected on all taxable merchandise and remitted the State of Maryland.
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 action plan, 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. Sean McGee, director of school support and well-being, Office of Student Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Mr. McGee 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 administrative secretary to support you with developing a well-defined plan to address the findings.

MJB:AMB:rg

Attachment

Copy to:
  Members of the Board of Education
  Dr. McKnight
  Mr. Hull
  Dr. Murphy
  Ms. Reuben
  Mr. Stockton
  Mrs. Williams
  Dr. Moran
  Mr. Reilly
  Mrs. Chen
  Ms. Eader
  Mr. Klausing
  Mr. McGee
  Mrs. Ripoli
  Ms. Webb
## FINANCIAL MANAGEMENT ACTION PLAN

**Report Date:** 12/20/2022  
**Fiscal Year:** 12/20/2022  
**School:** Silver Creek MS – 835  
**Principal:** Dr. Tiffany N Awkard  
**OSSWB Asssociate Superintendent:** Dr. Peter Moran  
**OSSWB Director:** Mr. Sean McGee

### Strategic Improvement Focus:
As noted in the financial audit for the period 5/1/21-9/30/22, strategic improvements are required in the following business processes:

<table>
<thead>
<tr>
<th>Action Steps</th>
<th>Person(s) Responsible</th>
<th>Resources Needed</th>
<th>Monitoring Tools / Data Points</th>
<th>Monitoring: Who &amp; When</th>
<th>Results/Evidence</th>
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<tbody>
<tr>
<td>Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the school financial specialist. As recommended all support documents with form 280-54 will be marked &quot;Paid&quot; or &quot;Received&quot;.</td>
<td>Roxana Rivera Diaz, financial specialist</td>
<td>N/A</td>
<td>Supporting documentation</td>
<td>By Principal</td>
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<td>Cash and checks collected by sponsors and others for IAF activities must be remit. It is common practice for sponsors to not hold funds. Out of necessity, the school would hold funds over the weekend when funds were collected on weekend events. We will continue to ensure we promptly deposit any funds collected into the school bank account.</td>
<td>Roxana Rivera Diaz, financial specialist</td>
<td>N/A</td>
<td>Ensure funds are deposited accordingly.</td>
<td>By Principal</td>
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<tr>
<td>Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise. As recommended FY2022 Yearbook taxes collected will be remitted in FY2023.</td>
<td>Roxana Rivera Diaz, financial specialist</td>
<td>N/A</td>
<td>Supporting documentation</td>
<td>By Principal</td>
<td></td>
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OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

☑ Approved
☐ Please revise and resubmit plan by ____________

Comments:

Director: __________________________ Date: 2/1/23