


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

November 3, 2016

MEMORANDUM

To: Kyle J. Heatwole, Principal  
Flora M. Singer Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
November 1, 2013, 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 October 26, 2016, with you and Mrs. Maria M. Garcia, school administrative secretary, we reviewed the status of the conditions described in our prior audit report dated December 2, 2013, 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 *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 sample of disbursements, we found prior approval was not consistently obtained and invoices were not always attached or marked to indicate satisfactory receipt. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF activities. We recommend that MCPS Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and that complete documentation be attached to fully explain the reason for the purchase.

In addition, 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 *MCPS Financial Manual*, chapter 18, page 2). We noted fundraiser and yearbook sales for which sales tax had not been collected and remitted to the State of Maryland. We recommend that the school complete a Combined Registration (CR) Application to register for a CR number with the state Comptroller to work toward full compliance for the collection and remittance of sales tax. The application can be completed either online or by downloading a paper version at—

<https://interactive.marylandtaxes.com/webapps/comptrollercra/entrance.asp>

#### Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchase documentation must be adequate to support disbursements.
- 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 Mr. Eric A. Wilson, director of school support and improvement of elementary 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:CPP:lsh

Copy to:

Members of the Board of Education  
Dr. Smith  
Dr. Navarro  
Dr. Statham  
Dr. Zuckerman  
Dr. Johnson  
Mr. Civin  
Dr. Kimball  
Mrs. Camp

Mrs. Chen  
Mrs. DeGraba  
Ms. Diamond  
Mr. Wilson  
Mr. Ikheloa



# FLORA M. SINGER ELEMENTARY SCHOOL

2600 Hayden Drive  
Silver Spring, Maryland 20902




Office of the Principal

November 23, 2016

## MEMORANDUM

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

From: Kyle Heatwole, Principal   
Flora M. Singer Elementary School

Subject: Response to Audit of Independent Activity Funds for the Period  
November 1, 2013 through September 30, 2016

Thank you for your recent report on the audit of our Independent Activity Funds (IAF) for the period of November 1, 2013 through September 30, 2016. That time period spans several years, including 2015-2016 where there were significant changes in the main office. It is important that we establish sound financial practices and procedures that ensure compliance with MCPS policies, regulations, and procedures. We appreciate and value the guidance and input of the Internal Audit office.

The summary of recommendations are:

- Purchase requests must be approved by the principal prior to procurement (repeat).
- Purchaser must confirm receipt of goods or services prior to disbursement (repeat).
- Purchase documentation must be adequate to support disbursements.
- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.

The first three recommendations are interrelated. The first two are repeat findings from our most recent audit. Our Administrative Secretary handles much of the recordkeeping associated with the IAF account. In July 2015, our Administrative Secretary took a new position. We hired a new Administrative Secretary in August 2015. That person was reassigned to a different position in January, 2016. At that time, there was a freeze on new hiring, so we were unable to fill the vacancy. Our Attendance Secretary filled in for the remainder of the year. In addition, our Instructional Data Assistant helped with the record keeping associated with the IAF. While I accept ultimate responsibility for the management and accounting of the Independent Activity Fund, I believe that the instability of the Administrative Secretary position contributed to the errors found in the audit.

We hired a permanent Administrative Secretary in July of 2016. Our new employee is an experienced Administrative Secretary, who is very familiar with handling IAF accounts and records. I have discussed the results of this audit with her, and we are working together to ensure that purchase requests are approved prior to any procurement, that we confirm the receipt of goods, and that there is adequate documentation to support disbursements. Prior to making any disbursement, we will ensure that all of the appropriate paperwork is completed.

We are also working with the Comptroller office of Maryland to ensure that we collect and submit sales taxes. I understand that this will need to be completed for any yearbook sales. We have also

## FLORA M. SINGER ELEMENTARY SCHOOL

---

2600 Hayden Drive  
Silver Spring, Maryland 20902



*Office of the Principal*

sold spirit wear in the past, which would require sales tax, but at the recommendation of the auditor we are transitioning control and sale of spirit wear to the PTA.

It is my hope that these actions will address the recommendations of the audit report. If you have any additional questions or concern, please call me at 240-740-0330.

Copy to:

Mr. Wilson

## Fiscal Management Action Plan

School: Flora M. Singer Elementary School  
 Approved by community superintendent: \_\_\_\_\_

Principal: Kyle Heatwole  
 Date of approval: \_\_\_\_\_

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Purchase requests must be approved by the principal prior to procurement.	At the time that verbal approval is sought from the principal, Form 280-54 will be prepared and signed by both requesting staff and the principal. <b>The principal will ensure detailed documentation/rationale of the purchase is attached to the request. The invoices for the purchase will be signed and dated by the receiver.</b>	As needed	Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver.
Purchaser must confirm receipt of goods or services prior to disbursement.	The principal will ensure receipt of goods or services prior to signing any disbursement check.	As needed	Appropriate documentation attached to disbursement.
Purchase documentation must be adequate to support disbursement.	The principal will ensure that adequate documentation is provided for any disbursement request, prior to signing any check.	As needed	Appropriate documentation attached to disbursement.
Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.	<p>The administrative secretary will communicate with the Comptroller of Maryland's office to coordinate payment of sales tax.</p> <p>The principal will ensure that sales tax is collected for sold items, specifically the annual yearbook.</p> <p>The administrative secretary and the principal will work together to calculate the tax from the sale of yearbooks and distribute the funds to the Comptroller of Maryland.</p>	Spring, during sale of yearbooks	Completed payment of sales tax.

*Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.*