


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 20, 2018

MEMORANDUM

To: Mr. Craig W. Staton, Principal
Julius West Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2017, through October 31, 2018

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, 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 November 7, 2018, meeting with you and Mrs. Sheila B. Brooks, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated May 12, 2017, 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

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the school financial specialist. The funds should be counted in the presence of the remitter and a receipt that is supported by the remittance slip should be issued promptly. These receipts must be deposited promptly on the last working day of each month and before each weekend or holiday (refer to *MCPS Financial Manual*, chapter 7, pp. 4-5). We found instances in which funds were

held by sponsors rather than remitted on a daily basis. We also noted that the school financial specialist was not always making deposits on the last working day of each month and before each weekend or holiday. To minimize the risk of loss, all funds collected should be remitted daily. We recommend that staff be encouraged to submit cash and checks collected for IAF activities to the school financial specialist for prompt deposit in accordance with MCPS policy and procedures.

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 found no sales tax was paid on the sale of band shirts and some fundraiser items. 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 operate at a loss.

In accordance with the attached September 25, 2014, memorandum from the then chief operating officer, *Regulatory Change Regarding Foods and Beverages Sold to Students During the School Day*, all food sold between 12:01 a.m. and 30 minutes after the end of the school day must meet the specified nutritional guidelines. Most items being sold in the school store during the school day did not meet MCPS supported nutritional guidelines for students. We recommend that items purchased and sold to students between 12:01 a.m. and 30 minutes after the end of the school day comply with the nutritional guidelines outlined in MCPS Regulation JPG-RA *Wellness: Physical and Nutritional Health*. The MCPS Division of Food and Nutrition Services can assist in evaluating products. Royale Dining Services, Inc. is a supplier, under contract with MCPS, to provide only compliant products.

Summary of Recommendations

- Funds collected by sponsors must be promptly remitted to the school financial specialist (**repeat**).
- Funds remitted by sponsors must be promptly receipted and deposited in the bank by the school financial specialist (**repeat**).
- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.
- Food and beverage items available to students outside the school meals program should comply with MCPS Regulation JPG-RA.

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 form, 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 Dr. Peter O. Moran, director of learning, achievement, and administration, Office of School Support and Improvement. Based on

the audit recommendations, Dr. Moran 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.

RWP:MJB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Dyson

Mrs. Camp

Mrs. Chen

Ms. Diamond

Dr. Moran

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 12/5/18	Fiscal Year: 12/5/18
School: Julius West MS - 211	Principal: Craig W. Staton
OSSI Associate Superintendent: Cheryl Dyson	OSSI Director: Dr. Peter O. Moran
<u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>4/1/17 - 10/31/18</u> , strategic improvements are required in the following business processes :	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Staff will collect and submit funds daily to SFS	Staff, School Financial Specialist	MCPS Remittance form 280-34 found in Staff Handbook	Email reminders Implementation of a Google sheet to track receipts and deposits	FS and Principal will review the newly implemented Google sheet on a weekly basis	Completed 280-34 submitted within same day as funds collected./Remittance form
SFS will designate a specific time of day (2:00pm) every day to process Receipts from staff, by closing her office door to avoid interruptions	School Financial Specialist	Daily designated time Receipts from Staff using Form 280-34	Use of Google sheet above Remittance sheet to be dated and time noted of receipt from staff	Princ will insure SFS is using designated time to process deposits daily/using Google tracking sheet	Funds submitted to SFS by 2:00 pm are deposited the same day, as to insure SFS can leave for the bank on time.
Sales tax on fund raiser taxable items will be collected and reported/paid	Staff and School Financial Specialist	MCPS Policies and Regulations Internal Audit Account Reconciliation	Review of information provided on MCPS website regarding sales tax required to be collected and paid by schools	Account reconciliations, end of year sales tax report	All taxable items from fund raisers in addition to YBs, school store items, T-shirts, will be taxed, collected and reported to MD Comptroller at Y/E
Only food items within the MCPS Nutritional Guidelines will be sold in the school store within 1/2 hour of beginning and ending of school hours.	School Store Sponsor/SFS/Principal	School Store Policy and Regulations/ list of approved foods	Receipts of items bought for sale	Sponsor will curtail unapproved items SFS will check receipts closely Principal will periodically check	Foods outside MCPS Nutritional Guidelines have been depleted by selling them at an after hours school dance and have been replaced with foods within

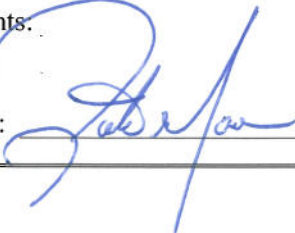
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
				school store shelves for approved/unapproved items stocked	the designated guidelines

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL

☒ Approved ☐ Please revise and resubmit plan by _____

Comments:

Director:



Date: 1/3/18