

THE MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

Manual of Policies
and Procedures for

Administering
Independent
Activity Funds

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Prepared by the Office of Shared Accountability

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ABBREVIATIONS

CIF	Centralized Investment Fund
COO	Chief Operating Officer
DSA	Department of Shared Accountability
OSP	Office of School Performance
FICA	Federal Insurance Contributions Act (Social Security)
IAFs	Independent Activity Funds
MCPS	Montgomery County Public Schools
PTA	Parent-Teacher Association

This *Manual of Procedures for Administering Independent Activity Funds* provides detailed instructions for implementing the Montgomery County Public Schools Administrative Regulations DIA-RA and DIA-RB.

POLICIES

A. Purpose

This manual sets forth the approved procedures for administering the Independent Activity Funds (IAFs) of the Montgomery County Public Schools (MCPS).

B. Principles Governing Independent Activity Funds

1. Purpose of Independent Activity Funds

The raising and disbursing of IAFs have two basic purposes:

- a. To promote the general welfare, education, and morale of the students.
- b. To finance the recognized extracurricular activities of the student body.

2. General Principles

- a. Unless other ownership is specifically designated, the IAFs of the school belong to the student body that is composed of those students currently in school. The principal is the fiduciary agent for the IAFs. In this role, the principal is the decision maker charged with determining the manner in which student body funds are expended and is responsible for ensuring that these funds are administered in accordance with MCPS regulation.
- b. IAFs may be raised by any activity approved by the principal that is not prohibited by law, MCPS regulation or policy, or provisions of this manual.
- c. Staff social funds must be derived entirely from staff contributions and activities and must not be augmented by student-owned funds. Staff-owned funds may be included in the IAFs, provided separate fund accounts are maintained.
- d. Funds derived from the student body as a whole should be used to benefit the student body as a whole.
- e. School organizations shall not use such devices as gambling, including raffles, lotteries, pinball machines, pools, bingo, or other games of chance, as a means of raising funds.

- f. The prices of student activity tickets or books, school newspapers, yearbooks, and the admission charge to school activities should be set whenever possible at levels that encourage broad participation by students.
- g. School facilities and equipment shall not be used for fund-raising purposes that benefit only a special or selected school group, unless the principal approves the activity and the privilege is available to all school groups.
- h. The management of IAFs must be in accordance with sound business practices, including sound accounting procedures and internal controls.
- i. Principals should participate in the preparation, modification, and interpretation of policies and procedures for administering IAFs.

C. Disbursements of Independent Activity Funds

1. Authorization of Disbursements

Except as provided under Sections 2, 3, and 4 below, the principal may authorize any disbursement from available IAFs that is consistent with the principles governing IAFs, as stated in section B above.

2. Disbursements that Require Prior Written Authorization from the Chief Operating Officer (COO)

- a. Building or other structures, including alterations and attachments thereto.
- b. Purchases made from any MCPS employee, or from any partnership or corporation in which an employee has a substantial interest.
- c. Aggregate expenditures in excess of \$1,200 per year at an elementary school, or \$3,000 per year at a secondary school, for refreshments and food in connection with meetings. Refreshments (coffee, tea, doughnuts, cookies, etc.) may be purchased with IAFs and served at staff meetings. Meals may be purchased with IAFs only if they are essential to the success of a meeting where the primary purpose is discussing educational or administrative matters or conducting school business. In order to clearly identify these expenditures, they should be maintained in a separate fund account and not commingled in the general account or other accounts.
- d. Any disbursement of more than \$6,500, or any contract with an anticipated aggregate expenditure of more than \$6,500, excepting disbursements and

contracts for pictures, yearbooks, field trips, and proms, and any disbursement required as part of the MCPS educational program.

- e. Any contract with a period of performance extending beyond 36 months.
3. Disbursements that Require Prior Written Authorization from the Office of School Performance (OSP)
 - a. Clothing or assistance in excess of \$800 per year for needy students.
 4. Disbursements of Student Funds That Are Prohibited
 - a. Disbursements that are primarily for the benefit of school staff members or other MCPS employees, such as gifts, meals, retirement functions, or other staff social activities. Disbursements may be made for these purposes only if funds are derived solely from staff donations or other staff activities or from funds donated for that specific purpose by a PTA, booster club, or student organization.
 - b. MCPS Administrative Regulation COF-RA prohibits possession or use of intoxicants on MCPS property. MCPS property is defined to include the location of any MCPS-sponsored event. Funds should not be disbursed through IAF accounts to pay, in whole or in part, for any function where intoxicants are present.
 - c. Meals that are not essential to the success of a meeting whose primary purpose is discussing educational or administrative matters or conducting school business (see 2.d. above).
 - d. Merchandising accommodations, extension of credit or loans to MCPS employees or to any person other than a student. Small emergency loans for field trips, lunches, and similar items may be made to students at the discretion of the principal.
 - e. Contributions to charitable organizations, unless funds have been contributed by students for a specific charity.
 - f. Any disbursement that is prohibited by federal, state, or county law, or by MCPS policy or regulation.

D. Management of Independent Activity Funds

1. Principal's Accountability

The principal is responsible for all monies received or disbursed within the school. To provide accountability for the IAFs, the principal shall make available to the general public the annual financial statements of the school. Copies of MCPS Form 281-24, *School Financial Report Independent Activity Funds*, and the activity account ledger report shall be furnished to the Department of Shared Accountability (DSA) by the due date (the third week of July) established by the chief operating officer each year (see section F8). In accordance with MCPS Policy KBA-RA Public Information, copies also shall be placed in the school's media center where they will be available to any interested person or organization, and both students and parents will be advised of their availability.

2. Contracts

- a. Only the principal, or a person designated in writing by the principal, may obligate the school by contract for the purchase of equipment, supplies, or services. All contracts must be signed by the principal or designee and by an authorized representative of the contractor. Contracts that obligate the school for disbursements more than 36 months in the future must be approved by the chief operating officer.
- b. Principals are encouraged, but not required, to seek the assistance of the MCPS Procurement Office before making a commitment for a major purchase.
- c. All contracts for \$1,500 or more must contain the following clause with regard to contract price:

"The vendor guarantees that, within the previous 90 days, he has not offered the same product or service at a lower price or better terms to any school system in the Washington metropolitan area (District of Columbia, Montgomery County, Prince George's County, Fairfax County, Alexandria, Arlington, and Falls Church). The vendor agrees to adjust the contract price and terms to any lower price or better terms offered within such area during the following 90 days."

- d. All commissions, rebates, and free items provided by the contractor, including free transportation provided to a chaperone on field trips, shall be stated specifically in the written contract. No MCPS employee shall receive any item or service free or at a reduced price in connection with a contract without the knowledge and approval of the principal. See MCPS

Administrative Regulation GCA-RA, *Conflict of Interest*, and IPD-RA, *Travel Study Programs, Class and Student Organization Trips*.

3. Purchase/Credit Cards

With the approval of the principal, the school may establish credit with specific vendors as needed to facilitate IAF operations. However, no general-purpose credit card or debit card should be obtained in the name of the school, **except** a card officially established by the MCPS Purchasing Card Program.

4. Expenditures by Pupils or School Employees

Neither a school nor school IAF shall be held responsible for an expenditure made by a pupil, teacher, or any other school employee who has not received prior written authorization from the principal. MCPS Form 280-54, *Request for a Purchase*, has been designed for this purpose.

E. Internal Control Over Funds

1. Principle of Internal Control

The most important principle of internal control is the separation of duties so that no one person controls all aspects of a transaction. The involvement of two or more persons in each transaction discourages dishonesty and encourages accuracy, because each person acts as a check on the work of others. This principle is particularly important in the handling of cash. The requirements, in later sections of this manual, for two signatures on checks, for issuance of prenumbered receipts whenever cash is received, for independent reconciliation of the bank account, and for control over certain business-type activity receipts are based on this principle of internal control.

2. Bank Accounts and Investments

- a. IAFs shall be held only in a federally insured financial institution or in the MCPS Centralized Investment Fund (CIF).
- b. The principal is responsible for ensuring that funds in excess of current needs are invested in a manner that will earn a reasonable rate of return commensurate with safety.
- c. All bank accounts and investments must be in the name of the school, not in the name of a school employee or any other individual.

- d. There should be only one school checking account. The school shall not maintain a checking account in any financial institution that does not return canceled checks or copies of the checks with the monthly bank statements.

3. Receipt and Deposit of Funds

- a. Each school shall use numbered receipt forms. At a minimum, an original and one copy of each receipt shall be provided. More copies may be required in secondary schools. Receipts shall be issued in strict numerical order. If the receipts are computer generated, access to the controls must be limited. To improve internal control, the stock of unused receipt books should be in the custody of someone other than the financial agent.
- b. Cash and checks collected by sponsors and others for IAF activities should be turned in promptly to the financial agent. At the time the money is turned in, it should be counted by the financial agent in the presence of the person turning in the funds. A prenumbered receipt shall then be completed by the financial agent, and the original shall be given to the person who turned in the funds. This establishes the receipt of the funds for insurance purposes and provides a written record of the source of the funds for accounting purposes.
- c. Once a receipt has been written, it shall not be erased or altered. Should an error be discovered, the receipt shall be marked "Void" and all copies shall be left in the receipt book, and another receipt shall be written.
- d. All checks received should be made payable to the school and should be endorsed immediately with a restrictive endorsement containing the words "For Deposit Only" and the name of the school.
- e. To provide proper accounting control, all cash received in the school shall be receipted and deposited only in the school's checking account. Deposits in a savings or investment account, or in the Centralized Investment Fund, shall be made by check drawn on the school's checking account. Withdrawals from such accounts shall be deposited in the school's checking account before being used to make disbursements.
- f. Cash receipts shall be deposited promptly. Large amounts shall be deposited on the day they are received (see 4b below), and all receipts shall be deposited on the last working day of each month and before each weekend or holiday.
- g. Cash receipts must be deposited intact. Disbursements must never be made from cash receipts. All disbursements shall be made by check or from a petty cash fund.

- h. Personal checks must not be cashed for MCPS employees or other persons from cash receipts, change funds, petty cash funds, or any other school funds.
 - i. Only the financial agent or other adult staff member shall transport school funds. Students must not perform this function. Furthermore, students shall not transport funds to the finance office.
 - j. Receipts from sales of tickets to school events shall be controlled in accordance with the requirements of MCPS Administrative Regulation DMB-RA, *Control of Admission Receipts* (see paragraph G.4.).
4. Protection of Funds in the Schools
- a. MCPS employees and students should be instructed never to attempt to thwart a robbery in the school or at any other location.
 - b. Funds (including checks) stored overnight at the school must be kept in a locked cabinet or combination safe. A key-operated cabinet may be used for overnight storage of funds up to a maximum of \$50. A combination safe may be used for overnight storage of funds up to a maximum of \$250. Any funds in excess of these amounts must be deposited in a bank at the end of the school day. However, larger amounts received after hours (such as receipts from a night athletic event) may be stored for a maximum of 24 hours if such storage is deemed safer than transporting the funds to the night depository of a bank.
 - c. The combination to the safe shall be given only to those persons with a continuous need for free access to the safe. The number of such persons should be kept to a minimum.
 - d. The safe combination should be changed whenever a person who has the combination leaves the school or is transferred to a position where there is no longer a need for access.
 - e. The safe combination shall not be left at any location on the school premises. Doing so risks the danger of the discovery of the combination by unauthorized persons. Lightweight safes should be set in concrete or in a wall to prevent removal and increase protection of funds.

5. Signatures on Checks and Withdrawal of Funds

- a. The principal shall designate, in writing, those school employees who are authorized to sign checks. Their signatures shall be entered on a signature card and filed with the financial institution with a copy on file at the school.
- b. To provide for the orderly conduct of school business, the principal and two additional employees, one of whom should be the person who serves as acting principal in the principal's absence, should be authorized to sign checks and withdrawals.
- c. All checks and withdrawals must bear two signatures, one of which **must** be that of the principal or the acting principal.
- d. The last spaces to be completed on a check should be the signature spaces. Neither the principal nor any other school employee should sign a check until both the payee and amount spaces have been filled in.
- e. Once a check has been written, it must not be altered or erased. If an error is discovered, the word "Void" shall be written in ink across the face of the check, the signature section should be torn off, the remainder of the check should be left in the checkbook or stapled to the stub, and a new check should be written.

6. Processing Purchases for Payment

- a. A MCPS Form 280-54, *Request for a Purchase*, should be initiated and signed by the requester for each intended purchase of goods or services, other than petty cash items. This should be done before an item is purchased.
- b. The form should be turned in to the office so that the financial agent can certify the availability of funds and then it should be signed by the principal for authorization to proceed with the purchase.
- c. Upon satisfactory receipt of the goods or services certified by the recipient on the vendor's invoice, the financial agent shall match the form to the original invoice and process the form for payment. The form should be filed with the attached invoice that should be marked or stamped "Paid."
- d. Canceled checks, vendor statements without invoices or delivery tickets, or *Request for a Purchase* form alone are not considered adequate documentation to support payments.

7. Petty Cash Fund

A petty cash fund may be established with the approval of the principal and used to make payments that are so small as not to warrant the process of writing a check.

8. Bank Reconciliations

- a. Monthly bank statements shall be delivered directly to the principal, unopened. The principal should review the statement, the canceled checks, and other documents and thereafter arrange for a reconciliation of the statement by **someone other than the school financial agent**.
- b. The checking account must be reconciled to the ledger and the checkbook each month, as of the last day of the month. If the bank statement shows a cutoff date other than the last day of the month, the school should ask the bank to change the cutoff date. If the bank will not do so, the school will prepare the reconciliation to the end of the month by using the balance as of the last day of the month shown on the bank statement.
- c. The Federal Tax Identification Number on the checking account should be #52-6000989.

9. Shortages and Discrepancies

Any significant shortage or other discrepancy in IAF assets, cash receipts, or accounts shall be reported promptly by the principal to DSA for investigation. The principal also should advise his/her direct supervisor of the investigation. DSA shall provide the principal with a written report on the results of the investigation, which shall be made a permanent part of the IAF records. Depending on the nature and seriousness of the discrepancy, DSA also may furnish copies of the report to the chief operating officer, the deputy superintendent of schools, and the associate superintendent for human resources.

F. Accounting

1. Financial Records and Reports

- a. The financial records must be kept up-to-date at all times. Delay in recording transactions significantly increases the likelihood of error and loss of information.

b. The financial records shall consist of a series of reports and the files of supporting documents. The reports shall be prepared each month after all entries are recorded. At elementary schools using the visiting bookkeeper system, the monthly reports actually may be prepared periodically depending on the timing of the visits. In addition to printed hard copies, a backup diskette of all fiscal year records should be kept at the school. It is recommended to store an additional backup disk off site in case a fire or other calamity occurs. The reports, prepared as of the last day of each month, are

- 1) General Ledger (cumulative summary of all accounts from July 1 to the end of the current month) (Cash Ledger and Fund Ledger under the Quicken System),
- 2) Sequential List of Receipts (current month),
- 3) Sequential List of Checks (current month),
- 4) Sequential List of Transfers (accounts 1-989, current month),
- 5) Sequential List of Movements of Cash (accounts 990-999, current month),
- 6) Account Reconciliation (accounts 1-999, current month) (Account Reconciliation – All under the Quicken System), and
- 7) Bank Reconciliation (manual or computerized report).

On June 30, these same reports must be run for the full fiscal year, July 1 to June 30. This run provides a hard copy record of all transactions for the fiscal year and is to be kept in a permanent file.

The financial agent shall furnish the General Ledger Report to the principal no later than the 20th day following the close of each month. The principal should review this report, sign to indicate this review, and return it to the secretary/financial agent to be filed with other monthly items.

c. The financial records are maintained by a computerized double-entry bookkeeping system. The information and training necessary to operate the system is provided by DSA to financial agents by way of periodic instructional courses and is contained in a separate manual.

2. The General Ledger Report

Two types of accounts are maintained in the ledger: cash (asset) accounts and fund accounts. A standard Chart of Accounts is in the appendix.

3. Establishing and Closing Accounts

a. Staff Accounts

- 1) At the discretion of the principal, staff funds may be maintained outside of the IAF records, provided a separate bank account is maintained, the funds are administered by someone other than the IAF financial agent, and the IAF bank account is not used to receive or disburse staff funds.
- 2) If staff funds are included in the IAF accounts, they must be maintained in a separate fund account or accounts. Profits from a vending machine may be used to finance staff activities only if the vending machine is located in the faculty lounge or other area that is not accessible to students. Staff accounts must maintain a positive balance. Student-owned funds must never be used to offset deficits in staff accounts.

b. Trust Accounts

Trust accounts are used to account for foundation funds donated by persons or groups for specific educational purposes. Examples of foundation funds are memorial funds and scholarship funds. Foundation funds must be approved by the deputy superintendent of schools before they can be accepted. All disbursements of foundation funds shall be approved by the executor of the foundation. Foundation funds shall be held in savings accounts or investments, and the foundation's share of the income therefrom shall be credited entirely to the trust accounts.

c. Class and Club Activities Accounts

Any balance remaining in the account of a graduating class or an inactive club, after the class has graduated and the class or club has had an opportunity to determine the disposition of the balance, shall not be considered as belonging to the graduated class or club and shall be closed out to the general fund at the beginning of the next year. Off-campus clubs shall not be permitted to carry accounts on the IAF accounting records.

4. Negative Balance Accounts and Inactive Accounts

- a. The principal shall be aware of any large negative balances in IAF accounts that continue to the end of the school year. The principal shall investigate and take timely corrective action to eliminate the cause of such negative balances.
- b. Inactive accounts with positive balances should be closed out at fiscal year-end and transferred to the benefiting accounts or the general account, as appropriate.

5. Transfers Between Fund Accounts

The financial agent shall execute a transfer of funds between fund accounts only after receiving a properly executed transfer request, MCPS Form 281-46, signed by the principal. Transfer requests shall be numbered and entered individually in the ledger. Transfers may be entered at any time during a fiscal year but all accounts should be reviewed at the end of each fiscal year (June 30) and transfers made to close accounts not needed for the next fiscal year.

6. Supporting IAF Records

Documents supporting the IAF reports are part of the financial records and should be maintained in the school office and filed in a logical manner (numerical, alphabetical, or chronological) in order to be readily available for audit or other purposes. Supporting documents include bank statements, canceled checks, deposit slips, receipts, contracts, purchase requests, invoices, sales tax returns, etc.

7. Sponsor Records

- a. Activity sponsors should receive, from the financial agent, a monthly activity account reconciliation report showing all transactions recorded in the account. Sponsors have an option to maintain the records required in subparagraph b. below or, at a minimum, reconcile their retained copies of receipt, disbursement, and transfer documents to an activity account reconciliation report monthly. After review by the sponsor, the report should be returned to the financial agent and signed as to its accuracy or discrepancies cited. All discrepancies should be resolved promptly with the financial agent. This information should be held for a minimum of five years by the sponsor or the school.
- b. Activity sponsors should keep a detailed record of receipts and disbursements for each activity showing the number of units involved, the unit cost, the total cost, the unit selling price, the total selling price,

together with the opening balance and the balance to date in their account. This detailed information is to be compared monthly with the corresponding activity account reconciliation report and discrepancies resolved with the financial agent.

- c. The financial agent shall maintain a control (for example, a check-off list) to identify and follow-up on those activity account reconciliation reports not returned by sponsors.
- d. In regard to field trips, sponsors should keep cost and fee information for each trip and turn in the data to the financial agent when a trip is completed. MCPS Form 280-41, *Field Trip Accounting*, can be used by sponsors to record the funds collected. The data can be used to review the submission and recording of receipts and to estimate the pricing of future trips. The financial agent should retain this data until the next internal audit. For staff out-of-town travel and local travel requiring lodging for one or more nights, approval requirements of MCPS Administrative Regulation DIE-RB, *Out of State Travel on Official Business*, apply.

8. Annual Financial Statements

At the end of each fiscal year, the financial agent shall prepare and furnish to DSA the annual IAF financial statements. The statements consist of the following:

- a. MCPS Form 281-24, *School Financial Report Independent Activity Funds*, as of June 30.
- b. General Ledger Report for the period July 1 through June 30 (Cash Ledger and Funds Ledger under the Quicken System).
- c. Copy of the checking account bank statement as of June 30, including the bank reconciliation.
- d. Copy of the latest savings account statement for each account owned between July 1 and June 30.
- e. MCPS Form 281-23, *Schedule of Accounts Receivable*, as of June 30.
- f. MCPS Form 281-22, *Physical Inventory of Salable School Merchandise*, as of June 30.
- g. MCPS Form 281-23, *Schedule of Accounts Payable*, as of June 30.

- h. MCPS Form 281-25, *Statement of Profit or Loss on Sale of Merchandise*.
- i. A diskette with the IAF data files.

Instructions and due dates (the third week in July) for the annual financial report will be provided by the chief operating officer prior to June 30 each year. In accordance with MCPS policy on public information (Resolution 24-68), all financial statements are available to the public on request.

9. Removal of Records from School Premises

- a. IAF financial records must not be removed from the school premises. This applies both to formal records such as the monthly reports and to supporting documents such as bank statements, canceled checks, paid invoices, check stubs, and receipt books.
- b. In the event that unusual circumstances require an exception to this rule, the principal must authorize in writing such removal in advance, specifying the dates to which the authorization applies. In any event, all records must be returned to the school at the start of the next working day so that they are available during all working hours. There should never be a circumstance when any of a school's financial records are unavailable during normal working hours.

10. Audits

- a. The IAF financial records and operations of the school are subject to periodic audit by DSA (MCPS Regulation DIA-RA, *Accounting for Independent Activity Funds*). Audit reports are submitted to the principal and the Office of School Performance. Upon entering a new assignment, a principal should study the financial statements and the audit reports to become aware of the financial condition of the school. Normally an audit will be conducted within one year of a new principal's assignment.
- b. DSA is not required to give advance notice to school officials of the commencement of an audit.

G. Business-type Activities

The business-type activities listed below provide the major sources of revenue to support IAF activities. Because these activities involve the handling of cash, it is imperative that adequate internal controls are in place. Accordingly, the principal and all personnel involved in such activities should be aware of the existing regulations and guidance established and the procedures that need to be

followed. At high schools, it is advisable that the principal assign the business manager to monitor compliance with these requirements. All fund raising activities shall be in accordance with Policy CND, *School-related Fund Raising*.

1. School Stores

Detailed instructions and guidance for operating school stores are contained in the MCPS publication, *Handbook for the Operation of School Stores*.

2. Vending Machines

Schools shall operate under full-service contracts, which usually provide for periodic commissions based on sales. MCPS has developed standard contracts for beverage vending. Copies can be obtained from the DSA Audit Unit. The periodic commission payments received should be reviewed to ensure that they agree with the vendor's statements and comply with the terms of the contract. Vending machine accounts should be established in the #700 series of accounts and a current contract should be on file with the financial agent.

3. Fund Raisers

Guidance for sponsoring IAF fund raisers is contained in the MCPS publication, *Guidelines for Sponsoring an IAF Fund Raiser*.

4. Admission Receipts

Admission receipts for athletic and nonathletic events should be controlled in accordance with MCPS Administrative Regulation DMB-RA, *Control of Admission Receipts*. Such receipts are highly susceptible to improper diversions and should be controlled carefully. The regulation provides for internal controls through (1) the use of serially numbered tickets, (2) separation of duties, (3) the preparation and signing of the required form, and (4) a reconciliation to ensure that the value of unsold tickets plus funds deposited equals the value of tickets issued. The procedures detailing how these controls are carried out are in the regulation.

5. Student Parking Permits

At high schools where parking fees are collected, the receipts should be recorded in the subaccount #6091 of the Athletics Account #100. A record should be kept of all numbered permits received by the school and unused permits should be retained. Each semester, a reconciliation should be made of the funds received and deposited to the number of permits sold. Further information is contained in MCPS Administrative Regulation ECG-RA, *Student Driving and Parking Facilities*.

6. Yearbook Sales

A separate account in the #900 series should be established for the yearbook. Upon receipt of the yearbooks, the sponsor should ensure that the inventory is adequately secured, distribution is monitored, and a physical inventory is taken at fiscal year-end. Care should be taken to identify and separate advertisement revenues from sales receipts. A separate account titled Yearbook Advertising could be used for this purpose. In any event, the sponsor must maintain a record of the number of books sold at specific prices, along with a record of advertising revenue and a detailed list of any yearbook giveaways. At fiscal year-end, MCPS Form 281-25, *Statement of Profit or Loss on Sale of Merchandise*, should be prepared by the sponsor for review by the business manager and the principal.

7. Picture Sales

Commission statements received from vendors should contain sales information so that the basis for commissions received can be easily determined.

8. Career and Technology Education (formerly Vocational Education Business Activities)

- a. Vocational education business activities shall be conducted in accordance with MCPS Regulation IGK-RB, *Career and Technology Education Projects from Outside MCPS*.
- b. Credit shall not be extended to any MCPS employee or other person (see C3.c above). When work is requested by customers, they should be advised, and the order forms should so state, that no work will be released until payment has been made in full.
- c. Payments for vocational education projects should be made to the school financial agent. If the amount of cash received is small, however, and its handling is part of the instructional program (cosmetology shops, for example), the principal may approve the receipt of cash in a particular shop. Whatever funds are collected by the enterprise should be turned in daily to the financial agent together with copies of the related work orders or other receipts.
- d. Shop work shall be performed pursuant to a written work order. Each shop shall have a set of prenumbered work orders, with the names of both the school and the shop printed thereon. Work orders shall be used in numerical sequence within each shop. Voided work orders shall be sent to the office for retention by the financial agent.

- e. When payment in full is received for work done under a work order, each copy shall be stamped "Paid," dated, and marked with an indication of whether payment was by cash or check. One copy is given to the customer, one copy is retained by the vocational education shop, and one copy is retained by the financial agent.
- f. At the end of each month, the financial agent shall reconcile work orders and other receipt documentation used with cash receipts. The vocational education teacher shall provide the financial agent with a list of work orders in process and other unused receipts as of the end of the month so that all issued work orders and receipts can be accounted for.
- g. The vocational education teacher shall maintain a detailed record of receipts and disbursements of the enterprise he/she manages and shall reconcile it monthly to the activity account reconciliation report received from the financial agent.
- h. Delegations by the principal of authority to purchase shop equipment, tools, materials, and supplies shall be in writing and shall be monitored carefully by the principal and the business manager. All purchases should be in compliance with MCPS procurement practices.
- i. Students shall not pick up or receive merchandise purchased for the vocational education shop. The vocational education teacher is responsible for receiving all merchandise and for inspecting it to ensure that it is the kind and quantity ordered and is in good condition. If the results of the inspection are satisfactory, the teacher shall sign and date the invoice or receiving ticket to indicate acceptance of the merchandise.
- j. Inventories of materials, parts, and supplies shall be kept at the minimum necessary for efficient shop operation. So far as practical, purchases should be limited to items expected to be used within the school year. A physical inventory, priced at cost, including the purchase date, shall be taken as of June 30 each year and at such other times as directed by the principal or the Office of School Performance. All purchases of materials and parts (except for items of nominal value) shall be accounted for either as inventory or on itemized work orders.
- k. Donated vehicles and equipment shall be accepted and recorded in accordance with the provision of H.4 and H.5 below.
- l. Any use of the shop facilities outside of normal school hours must be authorized in advance, in writing, by the principal, specifying the date and hours of the approved usage and naming the teacher or other MCPS employee to whom the authorization is granted in accordance with the

requirements of MCPS Regulation KGA-RA, *Community Use of Public Schools*. Under no circumstances shall equipment or tools be removed from the premises without the written approval of the principal.

9. Maryland Retail Sales Tax

Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales price of all taxable merchandise. Taxable merchandise includes sales from vending machines, school stores, vocational education shops, pictures, etc. Schools that expect to make taxable sales should apply to the Maryland Sales Tax Division for a sales tax license. The license must be displayed in the school office. A school may call the DSA internal audit staff for general information concerning the Maryland retail sales tax.

H. Miscellaneous

1. Designations, Delegations, and Authorizations

All written designations, delegations, and authorizations by the principal, chief operating officer, deputy superintendent, and community superintendents shall be filed in the school financial office, where they will be available for examination at any time by the DSA internal auditors.

2. Payment of Bills

Each school shall maintain a good credit rating by paying all valid obligations promptly, by the due date established by the vendor. All bills must be paid by check. Cash must never be sent through the U.S. mail or the MCPS pony mail.

3. Payments for Personal Services

Schools that make payments to MCPS employees, students, and other persons for personal services must comply with the requirements of MCPS Administrative Regulation DIA-RB, *Payments for Personal Services from School Independent Activity Funds*. The following is a summary of the requirements:

- a. MCPS employees--Payments that do not exceed the basic per diem allowance for jurors in the State of Maryland may be considered to be reimbursement of expenses. When the amount paid for any one day exceeds the per diem allowance, the entire amount must be treated as earnings subject to the social security (FICA) tax. The employee's tax must be deducted from the amount otherwise due, and only the net amount is paid to the employee. Schools that have made payments to

MCPS employees for personal services (other than expense money) shall submit MCPS Form 280-46, *Report of Payments to MCPS Employees for Personal Services*, to the Division of Payroll, together with a check for the employer's and employee's FICA taxes in accordance with the instructions on the back of the form and MCPS Administrative Regulation DIA-RB. Secondary schools that have made no payments for personal services shall submit a negative report on Form 280-46. Elementary schools do not need to submit a report unless payments have been made and a tax is due.

- b. Students--As in the case of employees, payments to students that do not exceed the basic per diem allowance for jurors may be considered to be reimbursement for expenses. Payments that exceed the per diem allowance are personal earnings of the student; however, all students are exempt from FICA taxes and most are exempt from state and federal income taxes. The school should obtain a signed Form W-4E from each student to whom payments for personal services (other than expense money) are made. MCPS Form 280-47, *Report of Payments to MCPS Students for Personal Services*, should be prepared in accordance with the instructions on the back of the form and MCPS Administrative Regulation DIA-RB.
 - c. Independent Contractors--Persons receiving payments for personal services who are neither MCPS employees nor students shall be assumed to be independent contractors. No deduction for taxes is necessary, but reporting is required. MCPS Form 280-47A, *Report of Payments to Independent Contractors*, should be prepared in accordance with the instructions on the back of the form and MCPS Administrative Regulation DIA-RB.
4. Gifts to the School and Student Body

Gifts of material and/or equipment, whether donated by a club, a class, or a group or person outside the school, may be accepted only in accordance with the provisions of MCPS Regulation DJA-RB, *Purchases of Materials and Equipment Using Nonappropriated Funds and Acceptance of Donated Items*. All such gifts must be approved by the principal before being accepted.

5. Equipment

Any equipment that a school acquires by gift or IAF purchase shall become the property of MCPS. Procedures for controlling such property are contained in MCPS Administrative Regulation EDC-RA, *Control of Furniture and Equipment Inventory*.

6. Disposal of IAF Records

a. The following IAF records shall be retained permanently:

- 1) Fiscal year (July 1 through June 30) printouts of each report, as listed in section F.1.b.
- 2) End-of-year financial statements.
- 3) Audit reports and correspondence.
- 4) Records of investigations.

b. The following IAF records shall be retained for a period of five years after the close of the year to which they apply, and then destroyed:

- 1) Maryland retail sales tax returns, together with supporting documents.
- 2) Authorizations and delegations by the principal, deputy superintendent, and community superintendents.
- 3) Bank statements, reconciliations, canceled checks, and deposit slips.
- 4) Savings account passbooks and other evidence of investments to be retained for five years after the close of the year in which the investment is liquidated.
- 5) MCPS Form 280-54, *Request for a Purchase*, with supporting documents.
- 6) Expense vouchers with supporting documents.
- 7) Invoices from vendors with supporting documents.
- 8) Invoices to debtors with supporting documents.
- 9) Petty cash vouchers with supporting documents.

- 10) Receipts with supporting documents.
- 11) MCPS Form 280-45, *Record of Funds Transmitted to MCPS*, with supporting documents.
- 12) MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*.
- 13) MCPS Form 280-51, *Tickets and Cash Report of Ticket Seller*.
- 14) MCPS Form 281-46, *Independent Activity Funds – Transfer*.
- 15) Contracts.

I. Closing Schools

1. Instructions for Closing Schools

- a. During the year preceding the closing, inventories of salable merchandise should be reduced to a minimum by limiting purchases, as far as practicable, to quantities that can be sold before the closing date. The principal is responsible for the disposition of unsold merchandise. If possible, it should be returned to vendors for credit or refund. If credit or refund cannot be obtained, the merchandise may be transferred to the receiving school(s). A record must be kept, for audit purposes, of the quantities and cost of all items transferred to receiving schools or otherwise disposed of other than by sale to students.
- b. Sometime prior to the closing date (recommend at least 120 days in advance), the vending machine company or companies should be notified in writing to remove their machines and stop making deliveries.
- c. Every effort must be made to collect all accounts receivable before the closing date. Schools with postage meters or permits should settle their accounts with the post office before closing.
- d. Every effort must be made to resolve all accounts payable before the closing of the school. Vendors should be notified to submit their bills by a specified date. School personnel also must be notified to submit any claims they have for reimbursement of expenses promptly so that they may be paid before the closing date.
- e. During the last four months (120 days) before closing, it is suggested that all checks written on the IAF bank account be accompanied by a

statement requesting that the check be cashed promptly. If any checks have been outstanding more than 60 days, the payees should be contacted and asked to cash them.

- f. The closing school must not transfer any cash or investments to the receiving school or schools. The transfer will be made by DSA, in conjunction with the Office of the Deputy Superintendent of Schools and/or the Office of the Chief Operating Officer, after the closing audit of the IAF accounts has been completed. At that time, the remaining funds (including the value of inventory of salable merchandise already transferred) will be allocated to the receiving schools in accordance with the policies detailed in section I. 2. below.
- g. During the year of closing, the school should not invest in any certificate of deposit or other long-term investment with a maturity date later than the closing date. Excess funds available for investment may be invested in the MCPS Centralized Investment Fund or in a passbook savings account.
- h. Before the closing date, new signature cards must be filed with the financial institutions to authorize signatures on checks and withdrawals by employees of DSA and the Office of the Deputy Superintendent of Schools after the school is closed. This is necessary in order to facilitate payment of any late bills and the transfer of funds to the receiving schools after the accounts have been audited. Specific names and procedures for the new signature cards will be provided by the internal auditors prior to the closing date.
- i. The financial institutions must be notified to address future bank statements and correspondence to DSA, after the closing date.
- j. The school must prepare the regular annual financial statements at closing to reflect the June 30 closing. The financial statements must be submitted to DSA, together with the record of disposition of unsold merchandise referred to in section I. a. above.
- k. The financial records for the current fiscal year should be boxed, appropriately labeled, and addressed to DSA. Financial records for earlier years should be sent to Central Records for storage. Guidance as to which records may be destroyed after five years and which must be retained permanently is provided in section H. 6. above. Permanent records should be boxed separately, and other records should be boxed, labeled, and arranged chronologically to facilitate their removal and destruction when the retention period is completed. Use only standard storage boxes and labels, which may be obtained from Central Records.

- d. When the closing of a school is phased over a period of two or more years, any changes in grades or boundaries which occurred prior to its final year of operation will be ignored for purposes of the computation under I. 2. c. above. The grades and boundaries of the school at the date of final closing will govern, and the students in those grades from within those boundaries during the following school year will determine the allocation of funds to receiving schools. As noted under I. 2. c., however, this will not be based on actual enrollment but rather on the projections considered by the Board of Education in its decision to close the school.
- e. Only those schools that receive students from within the boundaries of a closed school shall be entitled to any portion of the closed school's funds. The fact that, at the time of closing, some of the receiving school's students are reassigned to a third school, does not entitle the third school to any portion of the funds of the closed school.
- f. The retention of students in an elementary school who would otherwise have graduated to a closed middle school does not entitle the elementary school to any portion of the funds of the closed school.
- g. Should unusual circumstances be encountered in the closing of a school that do not appear to be covered by the above policies, the problem will be referred to the deputy superintendent of schools and/or the chief operating officer for decision.

CHART OF ACCOUNTS

In order to provide uniform reporting, the following account numbers should be used. Additional numbered accounts may be added as needed, especially at Middle and High Schools.

FUND ACCOUNTS1-99 GENERAL SCHOOL ACTIVITIES

- 010 General
- 015 Principal's Discretionary
- 020 Staff Appreciation
- 025 PTA
- 030 Cellular Phone
- 036 Postage
- 040 Library
- 045 Lost-Damaged Texts
- 050 Checking Interest
- 055 CIF Interest
- 060 Reimbursement
- 070 Sert
- 075 ICB
- 080 MSPAP Award
 - Media Center
 - Middle States

100-199 ATHLETICS

- 100 Athletic Department
 - Pom Poms
 - Cheerleaders
 - Boys/Girls Phys. Ed.

200-299 CLASS ACTIVITIES

- Class of _____
- Creative Foods
- 260 Choral Music
- 265 Instrumental Music
 - Art
 - English Workbooks
 - Math Workbooks
 - Calculators

300-399 GRANTS AND DONATIONS

- 300 Grants

400-499 CLUB ACTIVITIES

- 400 Student Council/Gov't.
- 410 Patrols
 - Math Club
 - Photograhpy Club

500-599 FIELD TRIPS

- 500 Field Trips - General
- 570 Grade Combinations FT
- 580 All School FT

600-699 EXCHANGE ACTIVITIES*

- 600 Exchange
 - Community Service Activities
 - Red Cross
 - Disaster Relief

700-749 BUSINESS ACTIVITIES

- 700 School Store
- 710 Pictures
- 720 Vending Machine-Staff
 - Vending Machine-Students
 - Auto Shop
 - Cosmetology

800-899 FUND RAISERS

- 800 Fund Raiser

900-919 PUBLICATIONS

- 900 Yearbook
 - Yearbook Ads
 - Newspaper
 - Literary Magazine

930-959 MEMORIAL/SCHOLARSHIP

- 930 Memorial

980-989 STAFF OWNED

- 980 Social Committee
 - Staff Meetings
 - Refreshments
 - Retirements

CASH (ASSET) ACCOUNTS

- 990 PETTY CASH
- 991 CASH ON HAND
- 992 CHECK ACCOUNT
- 993 CENTRALIZED INVESTMENT FUND

* Exchange Accounts should have End of Year balances equaling zero or a reimbursement is anticipated and is carried as an account receivable.