


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

September 5, 2012

MEMORANDUM

To: Dr. Joan Benz, Principal
Winston Churchill High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2010, through May 31, 2012

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 IAFs are administered in accordance with MCPS policies, regulations, and procedures.

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 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 August 15, 2012, with you, Mr. James Shovlin, business administrator, and Ms. Judith Starlings, financial specialist, we reviewed the status of the conditions described in our prior audit report dated January 6, 2011, and discussed further actions needed to strengthen the accountability for IAF resources. 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

The MCPS Financial Manual, p. 20-10, provides guidance on IAF account structure and utilization. The IAF chart of accounts is standardized for consistency in reporting. We found

instances of nonconformity, and noted that sometimes transactions were not classified properly in appropriate accounts. For example, numerous purchases for the drama program and television studio were recorded in the SGA account, and commission revenues were recorded in the general account. Some fund raiser transactions were recorded in class accounts, or were comingled with other fund raisers. Such commingling renders it difficult to evaluate the results of activities, and may allow a loss to go undetected. We recommend that the school's accounts be brought into compliance with the latest chart of accounts, and that guidelines for uses of funds be reviewed.

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, computer and manual bank reconciliation reports, and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date. Although an independent reconciliation of the bank statement was performed for most months, it did not appear that you compared this with the reconciliation completed in the accounting application by the financial specialist. The computer bank reconciliation reports were not in balance for several months in the audit period, and reports for March, April, and May 2012, had not been completed when we arrived on June 28, 2012. Changes had been made to the general ledger in prior months after reports had been issued, and reports were not consistently dated by you to indicate when reviewed. We recommend you initiate a process that ensures this important internal control process occurs monthly according to established procedures (see MCPS Financial Manual, p. 20-8).

Procurement of goods and services must adhere to Board of Education policy, MCPS regulations and guidelines, and the Division of Procurement's *Procurement manual*. In addition, purchase of goods and services must be approved in writing by the principal prior to staff proceeding with any intended purchase, according to the methods described in the MCPS Financial Manual, p. 20-4. In our random sample of disbursements, we found prior approval was not obtained when required for several purchases. Additional approvals for the purchase of new and used equipment with non-appropriated funds, and purchases from staff-owned businesses were not always obtained when required. Many disbursements did not have adequate documentation to fully explain the reason for expenditures, and invoices were not always signed by the receiver. By requiring proper approvals and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by you at the time approval for the purchase is sought, and that complete documentation be attached to fully explain the reason for the purchase. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining your approval at the beginning of the school year. These budgets should be monitored by your financial specialist and revised when necessary.

In accordance with the MCPS Financial Manual, p. 20-4, the expenditure of general funds to provide refreshments for staff meetings (IAF account 11) and staff appreciation (IAF account 20) was \$45 per staff FTE per fiscal year through June 30, 2012. Also, staff development accounts must be limited to funding sources that are clearly not designated student funds. We found that you exceeded your amount allowed for staff refreshment and appreciation for fiscal year 2012,

and that you used student funds to support staff development. We recommend you adhere to the guidelines from the Chief Operating Officer (COO). It should be noted that the April 16, 2012, memorandum from the COO adjusted the expenditure guideline from \$45 to \$60 per FTE effective FY 2013.

Expenditure of IAF funds may not be used to duplicate expenditure for similar items provided by MCPS. We found that the school paid monthly invoices to provide a cell phone for your use, when MCPS provides Blackberry or other communication devices to all principals (see MCPS Financial Manual, p. 20-1).

Equipment purchased with IAF becomes the property of MCPS and is subject to MCPS Regulation EDC-RA, *Control of Furniture and Equipment Inventory*. We noted that some equipment purchased by the school had not been added to the MCPS inventory. We recommend that staff review the policy to ensure that equipment is properly barcoded and the inventory adjusted. Use of the MCPS Financial Management System to order equipment will help to ensure that proper procedures are followed.

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the 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 (see MCPS Financial Manual, p.7-4). The maximum amount of remittances that may remain on school premises depends on whether they are secured in a combination safe or locked cabinet. Large and infrequent deposits increase the possibility of loss of funds as well as decrease the school's ability to fund activities. We found the lack of a consistent process for cash handling in the school. Examination of accounting records revealed the following: Remittances were held for extended periods by sponsors and the financial specialist, deposit transfers were out of date order and did not always match deposits, dates recorded were not always dates of activity, some funds were deposited but not receipted, and other funds were receipted but not deposited. In addition, we noted that funds held exceeded the maximum permitted and were not always secured as required. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected should be remitted to the financial specialist daily and promptly deposited (see MCPS Financial Manual, p. 7-4). In addition, all remittances on hand must be deposited before each weekend or holiday.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. Although most sponsors are submitting fund raiser request and completion reports, and reports are signed by the business administrator and you, most forms were not properly completed so that results could be evaluated. Completion reports did not include the total number of items for sale, selling prices, or remaining inventories, thus it was not possible to determine whether all sums collected were remitted to the financial assistant. Our review indicated discrepancies when comparing actual to expected receipts, with no explanation from sponsors. In addition, some fund raiser activity was comingled in class accounts, or in

unrelated fund raiser accounts. Following internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event.

The yearbook sponsor is required to keep detailed records of the number of books sold, the price charged as well as the number of books distributed free of charge (see MCPS Financial Manual, p. 20-11). The records submitted to the financial office by the yearbook sponsor did not include a report of online sales by the vendor, so that a reconciliation of the number of books purchased with the number sold, given free, and the remaining inventory could be completed. We were therefore unable to determine that all funds generated from this activity had been remitted. In addition, MCPS Form 281-25, *Statement of Profit or Loss on Sale of Merchandise*, did not include sales by the vendor. We recommend the yearbook sponsor be counseled and assisted with the record-keeping required for this activity, and that you guard against signing any contract with an automatic renewal clause.

In our prior audit report, we noted several weaknesses in accountability over admission receipts for ticketed events, and we continue to find that processes for controlling ticket activities need improvement. Admissions must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and perpetual inventory of tickets. We found that ticket reports were not always started when tickets were issued to admissions managers, unsold tickets were not always returned to the ticket report auditor with completed ticket reports, and forms were not always completed for non-athletic events. Some completed forms did not match cash remittances, concession receipts were sometimes comingled with admission receipts, and complimentary tickets were not documented. Although the prom took place on May 18, 2012, the prom ticket form was not turned in until July 9, 2012, and receipts for the event were \$500 short. We again recommend that procedures for sale of tickets be reviewed with appropriate staff, and that admissions be controlled in accordance with MCPS Regulation DMB-RA, *Control of Admission Receipts*.

Sponsor of field trips should have a complete class or club roster of student names and annotate how much each student paid, eligible students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be turned in to the financial agent at the completion of each trip, and compared to remittances recorded in the trip account reconciliation report. The data should also be used to estimate future trips. We again found not all sponsors are turning in completed data at the conclusion of each trip, and that data is not being compared to the final account reconciliation report. Also, we found instances in which fees collected exceeded sums needed to pay for a trip. Three FY 2012 Show Choir trips were recorded in one account, rendering it impossible to reconcile each trip. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip for reconciliation by the financial specialist. We further recommend trip planning be reviewed to ensure established fees are commensurate with trip expenses (see MCPS Financial Manual, p. 20-9).

On April 7, 2011, you signed a contract with a vendor to provide photography services to the school for FY 2012 through FY 2014. The contract gives exclusive photography rights to the vendor and states that no other photographs can be offered for sale without the vendor's written consent. We found that a business with an affiliation to an employee of your school offered for sale on its website photos from your school's Blast production. A breach of contract could potentially place your school's signing bonus and guarantee amounts from the vendor in jeopardy. We recommend that you adhere to the terms of the signed agreement.

Summary of Recommendations

- Recording of accounting transactions must conform to the IAF chart of accounts and adhere to guidelines for uses of funds;
- Monthly independent checking account reconciliation must be performed and compared to computer reconciliation;
- Purchase requests must be approved by the principal prior to procurement;
- Receipt of goods or services must be confirmed prior to disbursement;
- Additional approvals for purchase of new and used equipment, and purchases from staff-owned businesses must be obtained when necessary;
- Adequate documentation must be provided to support disbursements;
- Staff appreciation and meeting refreshment expenditures combined may not exceed a specified total amount for a fiscal year without prior approval of the COO;
- Staff development expenditures must be funded from non-student revenue sources;
- Expenditure of IAF funds may not be used to duplicate expenditure for similar items provided by MCPS;
- Equipment transactions must comply with MCPS Regulation EDC-RA, *Control of Furniture and Equipment Inventory*;
- Funds collected by sponsors must be promptly remitted using MCPS Form 280-34 to the financial agent for timely deposit to the bank;
- Funds remitted by sponsors must be secured until deposited;
- Transaction dates must reflect dates of activity and transactions must not be altered once recorded;

- Fundraiser completion reports must provide analysis with comparison of expected to actual results;
- Yearbook profit or loss statement must be prepared to account for all activity;
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA (repeat);
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip (repeat); and
- Contracts should be monitored to ensure compliance with the terms.

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 office within 30 days of this report, with a copy to Dr. Donna S. Hollingshead, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:DKH:sd


Copy to:

Mr. Bowers
Dr. Statham
Dr. Schiavino-Narvaez
Dr. Marks
Dr. Hollingshead
Mrs. DeGraba
Mrs. Milwit
Mr. Doody

Winston Churchill High School
11300 Gainsborough Road
Potomac, Maryland 20854

RECEIVED
OCT 05 2012

September 19, 2012

To: Dr. Donna S. Hollingshead, Community Superintendent
From: Dr. Joan C. Benz, Principal 
Subject: Response to the Report of Independent Activity Funds for the
Period November 1, 2010 through May 31, 2012

This response addresses matters raised in the Report on Audit of Independent Activity Funds for the period November 1, 2010 through May 31, 2012. We appreciated the opportunity to meet with the team representing the Department of Reporting and Regulatory Accountability. Please find the response to the report as follows:

All findings have been addressed either while the Auditors were here or immediately afterwards.

It was found there were instances of non-conformity and sometimes transactions were not classified properly in appropriate accounts. All accounts are now in compliance with the latest chart of accounts. Purchases for the Drama and Television Studio were made by the Student Government Association (SGA). Purchases made are being charged against the receiving account and funds transferred to cover those expenditures.

Effective internal control includes the receipt and review by the principal of the unopened bank statement, computer and manual bank reconciliation reports, and ledger reports in a timely manner. A process has been set into place that insures internal control processes occur monthly according to Montgomery County Public Schools (MCPS) procedures.

Purchases of goods and services must be approved in writing by the principal prior to staff proceeding with any intended purchase. We require all staff to complete and receive written approval before any purchases are made. MCPS Form 280-54 will continue to be required with proper approval prior to any purchases. Sponsors of large events will be required to develop detailed income and expenditure budgets and receive Principal approval. This has already been done for Musical and Drama events.

It was found that you exceeded your amount allowed for staff refreshment and staff appreciation for fiscal year 2012. Our calculation was based on the MCPS approved \$45 per staff. We included all staff members listed on our current Payroll listing, not FTE; in addition we counted all staff during the current year. In the future, we will reference the School At a Glance FTE number, which reflects the previous year's staffing, to calculate the expenditures for Staff Appreciation. As part of the Class of 2010 Donation, approved by the Senior Class Sponsor and Officers, monies were donated to the school for Staff Development.

Expenditure of IAF funds may not be used to duplicate expenditure for similar items provided by MCPS. The only cell phone being used by the Principal is provided by MCPS, the other cell phone has been discontinued.

Equipment purchased with IAF becomes the property of MCPS and is subject to MCPS Regulation EDC-RA, Control of Furniture and Equipment Inventory. We noted that some equipment purchased by the school had not been added to the MCPS inventory. All new equipment had been inventoried and barcoded at time of receipt with the list sent to the Department of Materials Management to update their records. Purchases are being made utilizing the FMS system.

We found the lack of consistent process for cash handling in the school. During our Pre-Service Training in August we reiterated to all staff the requirement to deposit monies immediately by the end of the school day and that no monies were to be left unsecured overnight. All staff is to place monies in the school secured safe daily and deposited within twenty-four (24) hours into the commercial bank used by Winston Churchill High School. Deposits to the commercial bank are being made daily and in some cases twice daily to ensure all monies are safe and deposited.

Fund raising at the school must conform to the Guidelines for Sponsoring and Independent Activity Fund Raiser. Firmer controls have been placed on all Sponsors conducting Fund Raising activities. Many of the various Fund Raisers are for Class accounts and will be monitored that each individual Fund Raiser will be accounted for separately and not grouped together. We are now using the Fundraiser Completion Report provided by MCPS auditors. Staff have found it easier to understand and it helps provide a better fiscal understanding of the fundraiser.

The records submitted to the financial office by the yearbook sponsor did not include a report of online sales by the vendor, so that a reconciliation of the number sold, given free, and the remaining inventory could be completed. The yearbook sponsor was on summer vacation during the audit and did not have the information and data in her office at the time of the audit. She has been counseled regarding the record-keeping required for this activity. No contracts will be signed with an automatic renewal clause. A new contract has been signed for only the three (3) year approved time limit.

We found that ticket reports were not always started when tickets were issued to admissions managers, unsold tickets were not always returned to the ticket report auditor with completed ticket reports, and forms were not always completed for non-athletic events. Although great strides were made in the Athletic tickets controls, all efforts will be implemented to improve the non-athletic events ticket sales. We will work with Sponsors and parent volunteers to ensure concession receipts will not be comingled with admission receipts. We are distributing a limited number of tickets daily and reconcile the daily deposits to tickets. Next day's tickets will be distributed once previous day's deposits are reconciled.

Sponsor of field trips should have a complete class roster of student names and annotate how much each student paid, eligible students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. Three FY 2012 Show Choir trips were recorded in one account, rendering it impossible to reconcile each trip. All lists of student's names are

being annotated and their status regarding the field trip identified. All trips are accounted for separately and individually.

On April 7, 2011 you signed a contract with a vendor to provide photography services to the school for FY 2012 through FY 2014. All contracts with all vendors have been and will continue to be honored. Photography contract did not include video service. Videography was a Television Studio Fund Raiser.

RECEIVED
OCT 05 2012

Fiscal Management Action Plan 2012

School: Winston Churchill High School

Principal: Dr. Joan C. Benz

Approved by Community Superintendent: _____

Date of Approval: _____

Findings and Recommendations of School's Financial Report dated September 5, 2012	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion Date of Completion
There were instances of non-comformity and sometimes transactions were not classified properly in appropriate accounts.	All accounts are now in compliance with the current chart of accounts. Purchases made are charged against receiving accounts and funds are transferred to cover expenditures.	On-going Monitoring	Completed updated Chart of Accounts Completed transfers into proper accounts
Effective internal control includes the receipt and review by the Principal of the unopened bank statement, computer and manual bank reconciliation reports, and general ledger reports in a timely manner.	School Business Administrator and Principal will review reports by the twentieth (20th) of every month.	On-going Monitoring	
Purchases of goods and services must be approved in writing by the Principal prior to staff proceeding with any intended purchase.	We are continuing to monitor that all staff receive written approval prior to making purchases.	On-going Monitoring	
Exceeded the amount allowed for staff refreshment and appreciation for the fiscal year 2012	We will reference the School-At-A-Glance FTE number, which reflects the previous year's staffing to calculate expenditures for Staff Appreciation.	Summer 2012 Spring 2013	Completed
Expenditures may not be used to duplicate the similar items provided by MCPS.	The only item was a cell phone and that has been discontinued.	Immediately	Completed
We noted that some equipment purchased by the school had not been added to the MCPS inventory.	All equipment had been added to the MCPS inventory and the list has been sent to the Department of Materials Management.	Immediately	Completed

Findings and Recommendations of School's Financial Report dated September 5, 2012	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion Date of Completion
We found the lack of consistent process for cash handling in the school.	During our Pre-Service Training in August we reiterated to all staff the requirement to deposit monies immediately at the end of the school day and no monies were to be left unsecured overnight. Financial Specialist has been counseled regarding daily deposits.	Immediately	Completed
Fundraising at the school must conform to the Guidelines for Sponsoring an Independent Activity Fund Raiser.	Firm controls have been placed on all Sponsors conducting Fund Raising activities. We are now utilizing the Fundraiser Completion Report provided by MCPS auditors.	Immediately	Completed
The records submitted to the financial office by the Yearbook sponsor did not include a report of online sales by the vendor.	That report was submitted and is currently with the financial office.	Immediately	Completed
We found ticket reports were not always started when tickets were issued to admissions managers.	Homecoming and Prom tickets will be allocated in reduced portions so that proper control will be enforced. All unsold tickets will be returned daily and accounted for.	Oct. 2012 April 1013	
Sponsor of field trips should have a completed class roster of student names and annotate how much each student paid, etc.	All lists of student's names will be annotated and their status regarding the field trip identified.	On-going	