


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 10, 2017

MEMORANDUM

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

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

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2015, 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 fund-raisers. 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.

At our meeting on January 24, 2017, with you, Ms. Lisa L. Wellek, school business administrator, and Mrs. Lynn M. Besch, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated January 27, 2015, 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 the principal's approval to proceed with an intended purchase (refer to *MCPS Financial Manual*, chapter 20, page 4). The approved purchases must be supported by invoices, receipts, or other documentation to indicate satisfactory receipt of the goods or services. In our sample of disbursements, we found instances of documentation that was missing or insufficient to determine

whether or not purchased goods or services were satisfactorily received. We recommend that purchasers submit complete documentation along with MCPS Form 280-54 to the school financial specialist upon disbursement.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with MCPS Form 280-34: *Independent Activity Fund (IAF) Remittance Slip*, to the school financial specialist on the day the funds are received (refer to *MCPS Financial Manual*, Chapter 7, and page 4). We found instances in which staff collecting funds for field trips and other school activities were holding rather than remitting them in a timely manner to the school financial specialist. In addition, we noted that school staff remitted proceeds from raffles on three separate occasions during the audit period. Raffles and other games of chance are defined in the *Maryland Annotated Code of Criminal Law* Title 13, Subtitle 18, as gambling, and as such, are prohibited school activities (refer to *MCPS Financial Manual*, chapter 20, page 1). We recommend that all staff who collect funds for school activities be reminded of remittance requirements and that the conducting of raffles be discontinued.

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, fund-raiser 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 that the tax was not paid for some sales activities. We recommend that the financial staff review accounts periodically as well as at the end of the fiscal year to ensure that the appropriate amount of sales tax due to the Comptroller of Maryland is reported and paid.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Raiser*. Each fund-raiser should be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund-raising activity should be recorded in a separate account in accordance with the IAF chart of accounts (COA), and a completion report prepared that analyzes the results. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event (refer to *MCPS Financial Manual*, chapter 20, page 13). We found that data on the completion reports were incomplete or in error, and discrepancies in reports went undetected. Additionally, we noted fund-raising activities in class, club, and donation accounts, rather than in prescribed COA fund-raiser accounts. Similar issues were noted with PE clothing sales. We recommend that transactions for these activities be recorded in the prescribed COA series of accounts and that required completion reports be reviewed for accuracy to resolve any discrepancies prior to signing reports.

A review of field trip activities revealed that not all field trip sponsors were providing completed financial information to the school financial specialist at the completion of a trip. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41: *Field Trip Accounting*, or equivalent, and submit the data to the school financial specialist when a trip is completed (refer to *MCPS Financial Manual*, chapter 20, page 10). The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums

recorded in the field trip account. We recommend all sponsors be required to use MCPS Form 280-41, or equivalent, and follow the procedures outlined above.

The attached August 20, 2015, memorandum, *ACTION – Fiscal Year 2016 Guidelines for Reimbursement of External Exam Fee Reduction/Waivers*, issued by the chief operating officer (COO) to high school principals, provided guidelines for management and accounting of external exam fees paid for students who are eligible for waivers and fee reductions. In our examination of these records the school business staff was unable to provide us with the detailed external exam fee waiver records required by these guidelines. We were therefore, unable to perform a reconciliation to compare records to actual receipts. In addition, the school used the online service of Total Registration for AP exam registrations and collection of exam fees, but the school collected some exam fees, and this data was inconsistently recorded in the Total Registration database. We recommend that you put in place procedures to effectively manage and account for external exam activities to ensure staff compliance with COO guidelines.

Summary of Recommendations

- Documentation of purchases must be adequate to support disbursements.
- Funds collected by sponsors must be promptly remitted to the school financial specialist.
- Raffles and other games of chance are prohibited school activities.
- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.
- Accounting transactions must conform to the IAF chart of accounts.
- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results (**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**).
- The external exam coordinator must maintain accurate student fee collection records and submit to financial staff for reconciliation to the general ledger.

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*, please provide a response to the Internal Audit Unit within 30 calendar days of this report, with a copy to Dr. Debra S. Munk, director of school support and improvement of high 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:DKH:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Joan Benz

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February 10, 2017


Dr. Smith
Dr. Navarro
Dr. Statham
Dr. Zuckerman
Mr. Civin
Dr. Johnson
Dr. Williams
Mrs. Camp
Mrs. Chen
Ms. Diamond
Dr. Munk
Mr. Tallur
Mr. Ikheloa

Winston Churchill High School

11300 Gainsborough Road
Potomac, Maryland 20854
301-469-1211

February 23, 2017

To: Dr. Debra S. Munk, Director of School Support and Improvement of High Schools

From: Dr. Joan C. Benz, Principal 

Subject: Response to the Report on Audit of Independent Activity Funds for the Period
January 1, 2015, through December 31, 2016

This response addresses matters raised in the Report on Audit of Independent Activity Funds for the Period January 1, 2015, through December 31, 2016. We appreciated the opportunity to meet with the team representing the Department of Reporting and Regulatory Accountability. Please find the report as follows:

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

Documentation of purchases must be adequate to support disbursements. Staff is instructed during pre-service and when purchases are requested. Documentation is verified before printing check.

Funds collected by sponsors must be promptly remitted to the school financial specialist. Staff is instructed during pre-service and prior to any collection activity that funds must be remitted to the business office on the same day. Reminders are sent to sponsors when expected deposits are not received.

Raffles and other game of chance are prohibited school activities. Any request for a game of chance is denied.

Tax must be collected on taxable sales and remitted to the Comptroller of Maryland. A sales tax spreadsheet is being use to track when tax should be remitted and is reviewed periodically.

Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results. The business office is meeting with sponsors individually to prepare and review documentation to ensure sufficient information is supplied.

Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and reconciles funds collected with the cost of the trip. Staff is required to use a particular field trip accounting spreadsheet to supply all necessary information. SBA will reconcile post-trip.

External exam coordinator must maintain accurate student fee collection records and submit to financial staff for reconciliation to the general ledger. All money is collected by Total Registration. TR provides reports to be used by SBA in reconciliation of AP exams.

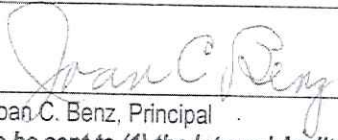
Fiscal Management Action Plan
 Audit Report Date: February 10, 2017

School: Winston Churchill High School
 Principal: Dr. Joan C. Benz

School Business Administrator: Lisa L. Wellek
 School Financial Specialist: Lynn Besch

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Documentation of purchases must be adequate to support disbursements.	- Wellek, Besch: Train staff on/Remind staff of policy - Besch: Verify before printing check	- During ILT, Pre-Service weeks and when purchases are requested (verbally, e-mail, and/or in writing) - Before printing checks	Will review before requests and checks are presented for principal signature
Funds collected by sponsors must be promptly remitted to the school financial specialist.	- Wellek, Besch: Train staff on/Remind staff of policy. Utilize Outlook calendar as reminders to sponsors when expected deposits are not being received	- During ILT, Pre-Service weeks and as collection activities are requested (verbally, e-mail, and/or in writing)	Will review during activity reconciliation
Raffles and other games of chance are prohibited school activities.	- Benz, Wellek: All games of chance will not be approved.	- Immediately	No games of chance approved.
Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.	- Wellek, Besch: Utilize Sales Tax Spreadsheet provided by Auditing to record when tax should be collected	- Immediately, review periodically and before activity is closed	Sales tax remitted on all taxable merchandise
Accounting transactions must conform to IAF chart of accounts.	- Besch: Refer to chart of accounts before assigning new account numbers	- Immediately	Accounts assigned correctly
Fundraiser completion reports prepared by sponsors must provide sufficient information to analyze results.	- Wellek, Besch: Meet with sponsors to prepare/review necessary documentation and present to principal for signature	- Within two weeks of the end of the fund-raiser	Will review before completion reports are presented for principal signature
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.	- Benz, Wellek, Besch: Train staff on/Remind staff of policy - Wellek, Besch: Mandate the use of the field trip accounting spreadsheet (previously optional).	- Within two weeks of the end of the Field trip	Will review during field trip reconciliation
The external exam coordinator must maintain accurate student fee collection records and submit to financial staff for reconciliation to the general ledger.	- Zimmerman, Wellek: All money will be collected by Total Registration. Total Registration provides reports for school use.	- Within two to four weeks of the end of AP registration	Will review during AP reconciliation and will forward to Central Office as instructed

Approved: _____


 Dr. Joan C. Benz, Principal

Date of approval: _____

Note: Copies of the approved plan are to be sent to (1) the Internal Audit Office and to (2) Dr. Debra Munk, Director of School Support and Improvement of High Schools