


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 8, 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
October 1, 2016, through September 30, 2017

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 and are 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 November 17, 2017, meeting 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 February 10, 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

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). After acquisition, the purchaser should submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the

school financial specialist (refer to *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements, we noted instances in which purchases were made prior to receiving the approval of the principal. We also noted instances of receipts not annotated by purchasers to indicate that purchased goods or services were satisfactorily received. We recommend that the IAF purchases comply with the preceding MCPS procedures.

For compliance with the IAF chart of accounts to identify and separate yearbook advertisement revenues from sales receipts, two separate accounts shall be established, Yearbook and Yearbook Advertising. 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 school business administrator and the principal to reconcile revenue, expenditures, and remaining physical inventory to the accounting records (refer to *MCPS Financial Manual*, chapter 20, pp. 14 and 25). We noted that yearbook advertising receipts were commingled in the yearbook account, and that MCPS Form 281-25 did not accurately indicate the profit from sales resulting in an underpayment of sales tax. We recommend that accounting transactions comply with the IAF chart of accounts and MCPS Forms 281-25 be completed to accurately calculate profit or loss, and appropriate amount of sales tax due. We further recommend that you add the underpayment of sales tax for yearbooks to be included with your next remittance to the Comptroller of Maryland.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Accounting transactions must comply with the IAF chart of accounts.
- MCPS Forms 281-25 must be accurately completed to identify profit or loss.
- Appropriate amount of sales tax due must be remitted to the Comptroller of Maryland.

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 Mrs. Jennifer L. Webster, director of school support and improvement of high schools. Based on the audit recommendations, Mrs. Webster will indicate whether she 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:RCM:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Dr. Williams

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Tallur

Mrs. Webster

Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 10/1/16-9/30/17	Fiscal Year: 10/1/16-9/30/17
School: Winston Churchill HS - 602	Principal: Dr. Joan C. Benz
OSSI Associate Superintendent: Dr. Darryl L. Williams	OSSI Director: Mrs. Jennifer L. Webster
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>10/1/16-9/30/17</u>, strategic improvements are required in the following business processes :</p> <p>Prior approval by principal, confirmation of g/s prior to disbursement, compliance with chart of accounts, accurate 281-25, appropriate sales tax remittance</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Continue staff education on prior approval by principal before procurement. Inform staff that reimbursements will not be given if procedures are not followed.	Lisa Wellek Dr. Benz	None	Pre-service presentations Instructions provided	Lisa Wellek, as receipts are submitted, pre-authorizations should be attached.	All requests for payment will have pre-authorizations attached.
Continue staff education on confirmation of goods and services. Require signature on invoice before generating payment.	Lynn Besch Lisa Wellek	None	None	Lisa Wellek, as checks are signed	Confirmation of goods and services received.
Separate accounts will be established for Yearbook Sales and yearbook advertising receipts.	Lynn Besch	None	None	Lisa Wellek, monthly and at the end of the fiscal year	Two separate accounts
A sales tax spreadsheet is being use to track when tax should be remitted and is reviewed periodically. Yearbook sales at school will be added to Josten's sales report so miscalculation of tax cannot occur. Audit will be contacted when completing the 281-25 for yearbook sales.	Lynn Besch Naomi Ratz Lisa Wellek	None	Fundraiser completion reports. Josten's Sales report Profit and Loss statement	Lisa Wellek, monthly and at the end of the fiscal year	Accurate tax remittance

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

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

Approved

Please revise and resubmit plan by _____

Comments:

Director: _____

Jennifer Wehner

Date: _____

1/9/18