


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

January 24, 2014

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
June 1, 2012, through August 31, 2013

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 January 13, 2013, with you and Ms. Lisa Wellek, business administrator, we reviewed the status of the conditions described in our prior audit report dated September 5, 2012, and discussed further actions needed to strengthen the accountability for IAF resources. We noted that Ms. Judith Starlings, financial specialist, during the audit period, has taken a position at another school. 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

While we commended you for progress made, some conditions continue to need improvement. 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 our sample of disbursements, we again found that prior written approval of the chief operating officer (COO) was not always on file for purchases in excess of \$7,500 or for purchases of used equipment. Invoices were not always signed by the receiver to indicate goods or services were received in satisfactory quantity or condition. Action is needed to correct these conditions and bring purchasing into conformity with MCPS requirements (see MCPS Financial Manual, p. 20-5).

Equipment purchased with IAF becomes the property of MCPS and is subject to MCPS Regulation EDC-RA, *Control of Furniture and Equipment Inventory*. We again 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.

In order to properly control receipts, cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted to the financial specialist together with MCPS Form 280-34, *Remittance Slip*, on the day the funds are received. Cash should be counted in the presence of the remitter, and a receipt that is supported by the remittance advice should be issued promptly. We again found instances in which some sponsors held funds collected rather than remitting them to the financial specialist on a daily basis, and there was a delay in issuance of receipts until after funds had been taken to the bank. We also found instances in which the amount of cash did not appear to have been verified. We recommend that the handling of cash receipts be brought into compliance with IAF requirements (see MCPS Financial Manual p. 7-4).

Summary of Recommendations

- Prior written authorization must be obtained from the COO for purchase over \$7,500 or for purchases of used equipment (repeat);
- Purchase documents must be annotated to indicate satisfactory receipt of goods or services (repeat);
- Furniture and Equipment control must comply with MCPS Regulation EDC-RA (repeat);
- Funds collected must be promptly remitted by sponsors to the financial specialist (repeat); and
- Funds received from sponsors must be promptly verified, and the financial specialist should promptly issue a receipt to sponsors remitting funds (repeat).

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Ms. Wellek. 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. Christopher S. Garran, associate superintendent of high schools. The Office of School Support and Improvement will follow up on this audit.

RWP:VAD:sd

Copy to:

Mr. Bowers

Dr. Statham

Dr. Schiavino-Narvaez

Mr. Sanderson

Dr. Garran

Mrs. DeGraba

Mrs. Milwit

Mrs. Chen

Fiscal Management Action Plan

School: Winston Churchill High School

Principal: Dr. Joan C. Benz

Approved by community superintendent: _____

Date of approval: 2/24/14

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Prior written authorization must be obtained from COO for purchases over \$7500 or for purchases of used equipment</p>	<p>All purchases over \$7500 and used equipment purchase are reviewed by the School Business Administrator and forwarded to the COO for approval.</p>	<p>On-going, as needed</p>	<p>COO signed approvals are kept on file in the Business Office.</p>
<p>Purchase documents must be annotated to indicate satisfactory receipt of goods and services.</p>	<p>"OK TO PAY" stamps, indicating receipt of goods, have been issued to sponsor for authorization. SFS reviews all receipts for stamps/approvals. SBA review AMEX receipts.</p>	<p>On-going</p>	<p>Properly received receipts.</p>
<p>Furniture and Equipment control must comply with MCPS Regulation EDC-RA</p>	<p>Most equipment and furniture are now being purchased through FMS, which automatically barcodes items and updates inventory. Non-FMS items will be forwarded to Supply and Property Management upon receipt of items. This will be done by SBA, ITSS and MST depending on the item.</p>	<p>On-going</p>	<p>More accurate inventory.</p>
<p>Funds collected must be promptly remitted by sponsors to the financial specialist.</p>	<p>Staff has been instructed to make deposits daily (when needed) with the SFS. Reminder notices are sent by SBA to staff that are suspected of non-compliance.</p>	<p>On-going</p>	<p>More deposits.</p>
<p>Funds received from sponsors must be promptly verified, and the financial specialist should promptly issue a receipt to sponsors remitting funds</p>	<p>All deposits are counted by SFS with remitter present. Deposits are recorded and made daily. Receipts are issued daily.</p>	<p>Daily</p>	<p>Prompt receipts and deposits.</p>