


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 13, 2018

MEMORANDUM

To: Mrs. Brandice C. Heckert, 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, 2017, through June 30, 2018

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 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 the IAFs are administered in accordance with Board of Education policies, MCPS regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with 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 any significant errors or omissions in the financial records are detected.

At our October 18, 2018, 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 December 8, 2017, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2018. 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 IAF chart of accounts (COA) establishes two separate accounts, Yearbook and Yearbook Advertising, to identify and separately record yearbook sales from advertisement revenue. At fiscal year-end, MCPS Form 281-25, *Statement of Profit or Loss on Sale of Merchandise*, is to 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 revenue was not recorded in the appropriate COA account and that MCPS Form 281-25 did not accurately calculate the profit from sales. We recommend that accounting transactions comply with the IAF COA and MCPS Form 281-25 be completed to accurately calculate the amount of profit or loss and sales tax due.

Admission events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. These events 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 noted instances in which either the ticket controller's or report auditor's signature was missing on the MCPS Form 280-50, and instances in which the forms were not fully completed. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events to ensure that admission events are controlled according to MCPS Regulation DMB-RA.

Summary of Recommendations

- Accounting transactions must comply with the IAF COA (**repeat**).
- MCPS Form 281-25 must be accurately completed to calculate profit or loss (**repeat**).
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

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 Dr. Peter O. Moran, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Moran will indicate whether he will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school financial specialist to support you with developing a well-defined plan to address the findings.

RWP:BK:lsh

Attachment

Copy to:

Members of the Board of Education
 Dr. Smith
 Dr. Navarro
 Dr. Statham
 Dr. Zuckerman

Mr. Civin
 Dr. Johnson
 Mrs. Dyson
 Mrs. Camp
 Mrs. Chen

Ms. Diamond
 Mr. Tallur
 Dr. Moran
 Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 10/1/17-6/30/18	Fiscal Year: 10/1/17-6/30/18
School: Winston Churchill HS - 602	Principal: Brandice Heckert
OSSI Associate Superintendent: Mrs. Cheryl Dyson	OSSI Director: Dr. Peter O. Moran
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>FY18</u>, strategic improvements are required in the following business processes :</p> <p>Compliance with COA accounts, Accuracy in profit and loss calculation for yearbooks, Accordance with regulation DMB-RA, Control of Admission Receipts</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Use correct COA account to record yearbook advertising.	Lynn Besch	None	None needed	SBA, immediately	Corrected. Correct account identified and used
MCPS Form 281-25 will be accurately calculated for yearbook sales.	Lisa Wellek	Basit Khan from audit will be contacted to assist/verify accuracy upon completion	None needed	Basit Khan	Accurate Profit and Loss
All signatures will be recorded and forms will be completed fully. ***Please note this has always been the procedure. However, copies of forms prior to signature/completion were made for easier reference when a concern arose. Therefore, it appeared the procedure was not followed. The practice of copying was stopped.	Lynn Besch	None	None needed	SFS/SBA, immediately	Corrected.

