


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

January 18 , 2024

MEMORANDUM

To: Mr. John W. Taylor, Principal  
Winston Churchill High School

From: Mary J. Bergstresser, Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period  
August 1, 2022, through September 30, 2023

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 and 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 December 7, 2023, meeting with you; Ms. Monica Taliani, assistant principal; Ms. Lisa L. Wellek, school business administrator; and Ms. Robin D. White, school financial specialist, we reviewed the prior audit report dated October 19, 2022, and the status of the 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. It should be noted that Ms. White's assignment was effective September 7, 2023.

**Findings and Recommendations**

Transfers of funds between general ledger accounts may be made only after MCPS Form 281-46, *Independent Activity Funds – Transfer*, has been executed by both the account sponsor and the principal. Transfers must be fully documented and must adhere to MCPS guidelines for allowable uses of funds. We found that transfers of funds were executed without completion of MCPS Form

281-46 and when the form was attached it was missing the principal's signature. In addition, we found that descriptions used on transfers did not convey the nature of the fund's movement. To improve internal controls, the school financial specialist must be instructed to execute transfers only according to requests approved by the principal and sponsor on MCPS Form 281-46, and that the reason for the transfer be clear to convey to the sponsors what was transferred in and out of an account (refer to the *MCPS Financial Manual*, chapter 20, page 12).

The 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, the procurement of goods and services must be approved in writing by the principal prior to staff proceeding with any intended purchase. This prior approval may be granted by the principal's signature on MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, or a budget prepared by the sponsor of a school activity. The budget must be approved by the principal and indicate projected revenue by source and projected expenditure by type of item for a period of time not to exceed a fiscal year. The sponsor cannot exceed the total amount of each expenditure outlined in the approved budget without receiving prior written approval of the principal to amend the budget. The financial agent is responsible for monitoring all budgets to ensure revenues and expenditures conform to what the principal has approved. In review of purchases, we noted that some line items on the athletic budget had been overspent and no pre-approval had been given for these additional expenditures. For a disbursement that utilizes a budget as pre-approval, the financial agent is responsible for comparing all disbursements to the budget document to ensure that it conforms to what the principal has approved. We recommend that your school financial specialist and athletic specialist monitor the approved budget and revise when needed (refer to the *MCPS Financial Manual*, chapter 20, page 5).

MCPS Form 280-54 is used to obtain principal pre-approval to proceed with an intended purchase and must include adequate supporting documentation of what was purchased before reimbursement is processed (refer to the *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements, we found instances where restaurant receipts were not always itemized to show what was purchased. We also found credit card transaction receipts were given to the financial agent for reimbursement without the original receipt or invoice attached. We recommend that all receipts show specifically what was purchased and that the financial agent ensures that the staff member who made the purchases provides adequate documentation to support payment such as an original itemized receipt or invoice with amount due prior to reimbursement.

Independent contractors or consultants working in schools must comply with all laws and MCPS requirements set forth in the Procurement Manual. MCPS Form 280-49A, *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF)*, is used to document authorization/approval for all consultant/independent contractor services paid with IAF. We found that this form was not always being completed for all payments to independent contractors during our audit period. We recommend that the project manager initiate MCPS Form 280-49A to document the authorization and approval to pay a consultant/independent contractor with IAF (refer to the *MCPS Financial Manual*, chapter 15, page 2).

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. Each fund raiser must be approved by the principal in writing and the approval retained in the school office files. We found that there was a lack of adherence to these guidelines. 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. We recommend that all fund raisers be approved in writing by the principal and these approvals be kept on file for review by audit.

Admission receipts for events must be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. Admission event controls include 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 a perpetual inventory of tickets. We found that MCPS Form 280-50 was not always completed for door sales at events. We also noted that a third-party vendor sold tickets and that they had 142 complimentary tickets issued without any list of who received these free tickets. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events, that all tickets be serially numbered and issued by the ticket controller, all complimentary tickets have a corresponding list, and that MCPS Form 280-50 be completed for all in person sales.

### **Notice of Findings and Recommendations**

- Transfers do not contain adequate information and are not always signed by the sponsor and principal.
- The athletic budget was not approved by the principal prior to purchases being made and line items were not being monitored to ensure accounts were not overspent.
- Adequate supporting documentation was not always included with disbursements.
- MCPS Form 280-49A was not completed in advance for many independent contractors.
- Fundraiser request forms were not always completed and approved by principal.
- Admission events requiring tickets did not include MCPS Form 280-50.

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 action plan, 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. Tamitha E. Campbell, director of school support and well-being, Office of School Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Dr. Campbell 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 financial agents to support you with developing a well-defined plan to address the findings.

MJB:ABB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Dr. Collins

Mr. Hull

Dr. Kimball

Mrs. Williams

Dr. Moran

Mr. Reilly

Dr. Campbell

Mrs. Chen

Ms. Eader

Mr. Klausling

Mrs. Ripoli


Ms. Webb

**FINANCIAL MANAGEMENT ACTION PLAN**

|   |   |
|---|---|
| <b>Report Date:</b> January 18, 2024  | <b>Fiscal Year:</b> FY24                |
| <b>School or Office Name:</b> Winston Churchill HS  | <b>Principal:</b> Mr. John W. Taylor    |
| <b>OSSWB Associate Superintendent:</b> Dr. Peter Moran  | <b>OSSWB Director:</b> Dr. Tam Campbell |
| <b>Strategic Improvement Focus:</b><br>As noted in the financial audit for the period <u>8/1/22-9/30/23</u> , strategic improvements are required in the following business processes : |   |

| Action Steps  | Person(s) Responsible         | Resources Needed | Monitoring Tools / Data Points  | Monitoring: Who & When                             | Results/Evidence   |
|---|-------------------------------|------------------|---|--|--|
| Clearer descriptions will be provided when creating transfers. (ie instead of March pcard purchases, items will be listed where space allows)<br>Signatures will be provided on transfers where approvals have not already been signed off. | Staff completing the transfer | None             | End of month reconciliation.<br>Review transfers to observe changes<br>Communicated in SFS/SBA materials, pre-service mtg, and ongoing counseling | SBA and Principal will check upon signature        | Clearer descriptions and approval signatures provided on the transfer forms.   |
| While all purchases made were aligned with the approved budget, the budget will be prepared and approved in June of the preceding year to ensure no purchases are made before the effective date.   | AS                            | None             | Budget Spreadsheet  | SFS and SBA- during end of fiscal year monitoring. | Budget on file prior to July 1.  |
| While spending did not exceed total budget, quarterly athletic budget meetings have been established to review line item spending. (AS keeps shared spreadsheet and monitors as money is spent)   | AS                            | None             | Budget Spreadsheet<br>Monthly IAF reports   | AS, SBA and AP- quarterly meetings                 | Clearer evidence to Audit that spending is being monitored. Line items are not being overspent without 280-54 requests on file.            |
| While purchases made were pre-approved with receipts, we will ensure disbursements include supporting documents that are original and itemized.   | Staff                         | None             | Communicated in SFS/SBA materials, pre-service mtg, and ongoing counseling  | Review of 280-54 by SFS when approving.            | Sponsors will present original, itemized receipts. Original receipts may include computer printed receipts from vendors (ie. food vendors) |

| Action Steps  | Person(s) Responsible       | Resources Needed | Monitoring Tools / Data Points   | Monitoring: Who & When                       | Results/Evidence   |
|---|-----------------------------|------------------|--|--|--|
| MCPS Form 280-49A will be completed in advance each time the same consultant or independent contractor is used.   | Project Managers<br>SFS/SBA | None             | Communicated in SFS/SBA materials, pre-service mtg, and ongoing counseling                                 | Review of 280-49A by SFS/SBA when approving. | 280-49a will be submitted prior to work performed and repeat vendors will be resubmitted for approval. |
| Fundraiser forms will be completed for all events and fundraisers. Large events (Homecoming/Prom) will require written Principal approval, rather than being implied through his presence at planning meetings, operations team meetings and the event. | Sponsor of the event        | None             | As events are planned and added to calendar, fundraising request will be submitted, approved and retained. | SFS and SBA as events are added to calendar. | Requests for fundraisers will be included in event folder.   |
| Tickets for all events have been moved to GoFan. There are no more cash sales. Therefore, Form 280-50 is no longer needed.  | N/A                         | GoFan            | GoFan reports.   | SFS when closing out event                   | Ticket sales will be reconciled against GoFan sales report/money received.                             |
|   |                             |                  |  |  |  |

| OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)  |                     |
|--|---------------------|
| <input checked="" type="checkbox"/> Approved <input type="checkbox"/> Please revise and resubmit plan by _____ |                     |
| Comments:  |                     |
| Director: <u></u>           | Date: <u>3/1/24</u> |