MEMORANDUM

To: Mrs. Jennifer A. Baker, Principal
   Walter Johnson High School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period
         August 1, 2012, through March 31, 2014

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 May 14, 2014, with you, Mrs. Kathleen Cosgrove, business administrator, and
Mrs. Virginia Howard, financial specialist, we reviewed the status of the conditions described in
our prior audit report dated September 20, 2012, 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

All equipment acquired by a school whether by gift or by purchase becomes the property of
MCPS (see MCPS Financial Manual, p. 20-13). MCPS Regulation EDC-RA, Control of
Furniture and Equipment Inventory, provides guidance for adjusting the school inventory to
account for property acquisitions and disposals. We again found several items of equipment were acquired using IAF that had not been added to the MCPS inventory and affixed with barcodes as required. We recommend that appropriate staff review the policy to ensure that equipment is properly coded and the inventory adjusted.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be promptly provided to the financial specialist with a remittance slip. Cash should be counted in the presence of the remitter, and a receipt that is supported by the remittance slip issued. We again found that some sponsors were holding funds collected rather than remitting them to the financial specialist on a daily basis. To improve controls, we recommend adherence to the procedures in the MCPS Financial Manual, pp. 7-3, 7-4.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Although the sponsors are submitting fund-raiser request and completion reports, and all reports are signed by the business manager and you, most forms were not properly completed so that results could be evaluated. Most completion reports did not include the total number of items for sale, selling prices, or remaining inventories, thus it was not possible to determine whether all sums collected were remitted to the financial specialist. Following internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event.

Admission receipts for athletic and non-athletic events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. Admissions 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 again noted poor accountability for tickets sold for the drama productions. The ticket reports from Ticket Leap for sales at school were not available making it impossible to reconcile tickets sold to money collected. We also found that complimentary tickets were not accounted for separately on ticket reports when issued, and athletic season tickets were not serially numbered or recorded on a ticket report prior to issuance. It was noted that students were selling tickets to a Fashion Show, but the funds were not recorded in the IAF, but in an account outside of the IAF. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events, all tickets be serially numbered and issued by the ticket controller, and all funds be recorded in school’s IAF.

Sponsors of field trips should have a complete class or club roster of student names to annotate the amount and date each student paid, eligible students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be provided to the financial agent at the completion of each trip, and compared to remittances recorded in the trip account reconciliation report. The data should also be used to estimate future trips. We found that not all sponsors are providing completed data at the conclusion of each trip to enable the financial specialist to reconcile trips. We also found instances in which fees charged were not sufficient to cover the expenses of the trip. We recommend trip sponsors use MCPS Form
280-41, Field Trip Accounting, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip. We further recommend trip planning be reviewed to ensure established fees are commensurate with trip expenses (see MCPS Financial Manual, p. 20-9).

In accordance with MCPS Regulation EGD-RA, Telephone Services and Costs, MCPS provides cellular service to employees whose job responsibilities regarding the health and safety of students and staff require immediate communications and decision making, increase productivity, and/or increase service to the public. Smartphones, such as Blackberries or iPhones, have computer as well as telephone features, and as such are also subject to MCPS Regulation IGT-RA, User Responsibilities for Computer Systems, Electronic Information, and Network Security. We noted that IAF funds were used to provide additional service to eight employees with smartphones enrolled in a service plan that allowed each phone a high number of voice minutes, text messaging, and broadband data service. School administration was not routinely receiving detail from the service provider to analyze voice, text, or other data usage. We recommend that school administration review the issuance of school-owned phones to assure compliance with the above cited MCPS regulations, and that the equipment and service plan meets the goal of the school’s educational and business purposes at the most cost-effective price.

Summary of Recommendations

- Furniture and Equipment control must comply with MCPS Regulation EDC-RA (repeat);
- Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the financial agent (repeat);
- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results;
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA (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;
- Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses; and

Cell Phone usage must conform to MCPS Regulation EGD-RA

Other matters were discussed and satisfactorily resolved. We appreciated 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 office within 30 days of this report, with a copy to Dr. Christopher Garran, associate
superintendent of high schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB: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:** Walter Johnson High School

**Principal:** Jennifer Baker

**Approved by community superintendent:**

**Date of approval:**

<table>
<thead>
<tr>
<th>Findings and Recommendations of School's Financial Report</th>
<th>Description of Resolution And Person(s) Responsible</th>
<th>Timeline</th>
<th>Evidence of Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items of equipment were acquired using IAF that had not been added to the MCPS inventory and affixed with barcodes as required. Appropriate staff should review the policy to ensure that equipment is properly coded and the inventory adjusted.</td>
<td>Business Administrator will review MCPS policy, and work with staff when purchasing equipment to ensure that it is properly coded and added to our inventory list.</td>
<td>Begin FY15</td>
<td>Equipment will be added to WJHS inventory list</td>
</tr>
<tr>
<td>Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the Financial Specialist</td>
<td>We will continue to instruct all sponsors of IAF activities to deposit cash and checks on the date collected. The principal, business administrator and financial specialist will continue to remind staff of the guidelines.</td>
<td>Ongoing throughout FY15 and beyond</td>
<td>Email reminders</td>
</tr>
<tr>
<td>Fundraiser completion reports prepared by sponsors must provide sufficient information to analyze results.</td>
<td>The business administrator and financial specialist will work with staff to provide fundraising instruction, and guide them to follow through with inventory lists, etc. This will provide information to properly fill out the fundraiser completion form.</td>
<td>Begin FY15</td>
<td>Fundraiser completion forms will filled out properly.</td>
</tr>
<tr>
<td>Admission events must be conducted in accordance with MCPS Regulation DMB-RA</td>
<td>The business administrator and financial specialist plan to meet with the WJ Stage staff to review the proper ticket sale accounting procedures. We will request a list of all complimentary/discounted tickets from clubs</td>
<td>Begin FY15</td>
<td>Accurate ticket accounting forms</td>
</tr>
<tr>
<td>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.</td>
<td>The business administrator and financial specialist will work with the field trip administrator and staff to review proposed field trips. We will also provide staff with MCPS Form 280-41, Field Trip Accounting to ensure that staff is able to provide complete data at the completion of each trip.</td>
<td>Begin FY15</td>
<td>Field trip reports with accurate student lists and trip fees</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses.</td>
<td>The business administrator and financial specialist will work with the field trip administrator and staff to review proposed field trips. We will work with staff to ensure they do not over/under charge students for the proposed trip.</td>
<td>Begin FY15</td>
<td>Field trip reports with accurate student lists and trip fees</td>
</tr>
<tr>
<td>Cell phone usage must conform to MCPS Regulation EGD-RA</td>
<td>The business administrator will work with the cell phone company to ensure the equipment and service plan meets the goal of the school’s educational and business purposes at the most cost-effective price. The business manager will have the text and other data services removed from the school cell phone plan.</td>
<td>Begin FY15</td>
<td>cell phone plan without extra services added.</td>
</tr>
</tbody>
</table>

Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.