

Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

January 17, 2013

MEMORANDUM

To: Ms. Nicole A. Sosik, Principal  
A. Mario Loiederman Middle School

From: Roger W. Pisha, Supervisor, Internal Audit *RPisha*

Subject: Report on Audit of Independent Activity Funds for the Period  
April 1, 2012, through October 31, 2012

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.

It should be noted that your appointment as principal was effective July 1, 2012. In our meeting on January 10, 2013, with you and Mrs. Heather Alonzo, financial specialist, we reviewed the status of the conditions described in our prior audit report dated April 30, 2012, and discussed further actions needed to strengthen the accountability for IAF resources. 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

Admission receipts 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. For ticketed events, we continued to find that required signatures of the ticket controller, admissions manager, and report auditor were sometimes missing from the forms. Cash receipt numbers and the dates received were not always recorded on the forms, and shortages were not explained. We again recommend that procedures for sales of tickets be reviewed with appropriate staff prior to events, that any discrepancies are resolved with staff and shortages explained, and that all ticket forms are signed by appropriate staff according to the prescribed process.

MCPS Form 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-5). The purpose of each disbursement must be fully explained on this form in order to properly record expenditures in appropriate accounts and to ensure that expenditures comply with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt and promptly submitted to the financial office for payment. In our random sample of disbursements, prior approval was not consistently obtained. Also, we noted that one sponsor held invoices for three months before submitting them to the financial office for payment to the vendor. We recommend that Form 280-54 be prepared by staff and signed by the principal at the time verbal approval is sought, and that sponsors be reminded to submit invoices promptly. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining your approval at the beginning of the school year. These budgets should be monitored by your financial specialist and revised if necessary.

In order to properly control cash receipts, account sponsors should remit funds promptly to the financial specialist along with MCPS Form 280-34, *MCPS Remittance slip*. We found that sponsors were not always properly completing remittance forms. In addition, sponsors were not always signing remittance forms to verify amounts remitted. To improve controls, we recommend that cash handling procedures be reviewed with sponsors to ensure adherence to 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 some sponsors submitted fund raiser request and completion reports, and reports were signed by you, forms did not include information needed to properly analyze results. A completion report for a candy fund raiser did not include the total numbers 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. In addition, we noted poor accountability over flower sales, DVD sales, and T-shirt sales associated with a play. 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.

Sixth graders at each middle school in MCPS participate in a three-day, two-night residential outdoor environmental education program (OEEP). Students are charged an activity fee to be accompanied by their teachers, who, in collaboration with an OEEP staff member, provide

instruction and supervision during their stay. Students unable to pay the OEEP activity fee receive waivers, which must be reported to MCPS so that invoicing to schools is adjusted accordingly. We found that the school did not report \$1,109 collected from students who were identified as needing assistance, resulting in an underpayment to MCPS. We recommend that you review the procedures for reporting students needing financial assistance with the sponsor, that financial assistance forms are reviewed for accuracy before they are submitted, and that you coordinate with the Division of Controller to remit funds due MCPS.

#### Summary of Recommendations

- Admission events must be conducted in accordance with MCPS Regulation DMB-RA (repeat);
- Purchase requests must be approved by the principal prior to procurement;
- Invoices should be remitted promptly to the financial specialist for payment to the vendor;
- Remittance forms should be properly completed and signed by account sponsors;
- Fund raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*; and
- Outdoor and Environmental Education student financial assistance forms must be reviewed for accuracy prior to submission to MCPS.

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 S. Garran, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:DKH:sd

#### Copy to:

Mr. Bowers  
Dr. Statham  
Dr. Schiavino-Narvaez  
Dr. Marks  
Dr. Garran  
Mrs. DeGraba  
Mrs. Milwit  
Mrs. Chen



Fiscal Management Action Plan

School: A. Mario Loiederman MS

Principal: Nicole Sosik

Approved by community superintendent: 

Date of approval: 2/2/13

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p><b>DMB-RA, Control of Admission Receipts:</b> Required signatures missing, cash receipt numbers and dates not on form, and shortages not explained</p> <p><b>Disbursement of IAF:</b> Prior approval not consistently obtained by principal prior to procurement</p>	<p>Appropriate staff will review procedures for sales of tickets prior to the event, any discrepancies will be resolved with staff and shortages will be explained. All the ticket forms will be signed by appropriate staff. <b>Heather Alonzo (SFS), Event sponsors</b></p> <p>Form 280-54 will be prepared by staff and signed by principal when verbal approval is made. Annual budgets will be used if appropriate. <b>Heather Alonzo (SFS), Nicole Sosik (Principal)</b></p>	<p>Completion of ticketed activities.</p> <p>On-going</p>	<p>Form 280-50 will be completed and checked for accuracy by the admissions manager and SFS for each event requiring admittance.</p> <p>Principal will check each 280-54 for appropriate dates compared to the receipt dates before signing.</p>
<p><b>Disbursement of IAF:</b> Sponsors held invoices before turning them in to SFS for payment to vendor.</p> <p><b>Remittances:</b> Sponsors not properly completing and signing remittance forms.</p>	<p>Sponsors will submit invoices for payment promptly. Form 280-54 will be used as soon as invoices are received, so payment to vendors can be made in a timely manner. <b>Heather Alonzo (SFS), Event Sponsors</b></p> <p>Cash handling procedures will be reviewed with sponsors to ensure adherence to the MCPS Financial Manual. SFS will make sure forms 280-34 are filled out and signed properly by Sponsors before accepting. <b>Heather Alonzo (SFS), IAF Sponsors</b></p>	<p>As soon as invoices are received</p> <p>On-going</p>	<p>Form 280-54 will be completed for payment as soon as invoices are received they will not be held on to for long periods of time.</p> <p>Form 280-34 will be filled out appropriately and signed by sponsors before turning in deposits.</p>
<p><b>Fundraising:</b> Fundraiser forms did not include information needed to properly analyze results. Poor accountability over sales associated with a play</p>	<p>SFS and Principal will monitor all fundraising activities to assure that the <i>Guidelines for Sponsoring a Fundraiser</i> are followed and that all funds are accounted for at the end of the event. A completion report will be submitted to the Principal at the conclusion of the event for evaluation of the success of the activity and all reports will be retained. <b>Heather Alonzo (SFS), Nicole Sosik (Principal), Event sponsors</b></p>	<p>Upon completion of each fundraising event.</p>	<p>Completion report for each fundraising event will be obtained by the SFS and submitted to the Principal for evaluation and signature.</p>
<p><b>Outdoor Environmental Education Program (OEEP):</b> Student financial forms must be reviewed for accuracy prior to submission to MCPS.</p>	<p>Procedures for reporting students needing financial assistance will be reviewed with sponsor, financial assistance forms will be reviewed for accuracy before being submitted, and coordination with the Division of controller will be made to remit funds due to MCPS. <b>Heather Alonzo (SFS), Event sponsor</b></p>	<p>When money and permission slips are being collected for OEEP</p>	<p>Financial assistance forms for OEEP will be filled out accurately before being submitted to MCPS.</p>