


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

June 11, 2014

MEMORANDUM

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

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2012, through April 30, 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 June 10, 2014, with you and Mrs. Heather Alonzo, financial specialist, we reviewed the status of the conditions described in our prior audit report dated January 17, 2013, 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

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. In our sample of disbursements we again found prior approval was not consistently obtained. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by the principal at the time verbal approval is sought. 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.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Although sponsors are submitting a fund-raiser request form for your approval to conduct an activity, they are not submitting a completion report with data entered in the analysis section to evaluate the results of the activity. A completion report for an activity involving the sale of items should include the total number of items for sale and cost of each, selling prices, and any remaining inventories 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 activity.

Sponsors of field trips should have a complete class or club roster of student names and annotate how much and when each student paid, students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. Sponsors should also record any payments made by volunteers attending the trip. This data should be submitted to the finance office 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 submitting completed data at the conclusion of each trip, and that data is not being compared to the final account reconciliation report. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, and provide complete data at the conclusion of each trip. This data must be reconciled with remittances recorded in activity accounts (see MCPS Financial Manual, p. 20-9).

Sixth grade students at each middle school in MCPS participate in a three-day, two-night residential outdoor environmental education program (OEEP) for which they are assessed an activity fee to reimburse MCPS for personal expenses associated with the program. Students unable to pay the OEEP activity fee receive waivers. Any waivers must be reported to MCPS so that the total amount of the invoice billed to schools is adjusted accordingly. We again found that the school did not correctly report all funds collected from students who were identified as needing assistance that resulted in an underpayment to MCPS. We recommend that you review the procedures for reporting students needing financial assistance with the sponsor, and that financial assistance forms are reviewed for accuracy before they are submitted.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (repeat);

- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results (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; and
- OEEP financial assistance form must be reviewed for accuracy before submission.

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. Darryl L. Williams, associate superintendent of middle 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. Williams
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

Fiscal Management Action Plan

School: A. Mario Loiederman MS

Principal: Nicole Sosik

Approved by ^{Associate} community superintendent: Sage L. Johnson

Date of approval: 7/2/14

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Purchases: Prior approval not consistently obtained by principal prior to procurement. Staff didn't indicate account balance on the 280-54.</p>	<p>Form 280-54 will be prepared by staff and signed by principal when verbal approval is made. Account balances will be indicated on form to make sure there is adequate funds to cover purchases. Annual budgets will be used if appropriate. Heather Alonzo (SFS), Nicole Sosik (Principal)</p>	<p>On-going</p>	<p>Principal will check each 280-54 for appropriate dates compared to the receipt dates before signing. SFS will check for account balances to make sure there is sufficient funds. Pre-Service Professional Development will be provided to staff.</p>
<p>Purchases: Purchase of gift cards for students were not documented with a list of who received the cards.</p>	<p>SFS keep all gift cards for students in the safe until the time they are awarded to the student. Student will sign off that they received the gift card and it will be filed with the receipt of purchase. Heather Alonzo (SFS)</p>	<p>Upon student receiving gift card.</p>	<p>Event sponsor will give all gift cards to SFS to keep in safe. Event sponsor will only hand out vouchers to students. SFS will obtain student signature before handing the gift card to them.</p>
<p>Fundraising: Fundraiser completion reports are not being filled out completely. The analysis section is not indicating what sales should have been, compared to actual sales.</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. Heather Alonzo (SFS), Nicole Sosik (Principal), Event sponsors</p>	<p>Upon completion of each fundraising event.</p>	<p>Completion report for each fundraising event will be reviewed by the SFS to make sure it is filled out completely, and will be submitted to the Principal for evaluation and signature.</p>
<p>Field Trips: Field trips are not being reconciled to the account. Staff are not turning in complete field trip accounting.</p>	<p>Sponsors will use an Excel template that totals all columns at the bottom. SFS will reconcile spreadsheet to the SFO account to make sure that all money is accounted for. Heather Alonzo (SFS), Event Sponsors</p>	<p>When money and permission slips are being collected</p>	<p>Staff will turn in a complete accounting of who was eligible to attend trip, who paid, when and how much. SFS will use these records to reconcile account.</p>
<p>Outdoor Environmental Education Program (OEOP): 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. Heather Alonzo (SFS), Event sponsor</p>	<p>When money and permission slips are being collected for OEOP</p>	<p>Financial assistance forms for OEOP will be filled out accurately before being submitted to MCPS. The OEOP Coordinator will keep and Excel sheet of payments.</p>

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