


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 7, 2017

MEMORANDUM

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

From: Roger W. Pisha, Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2014, through November 30, 2016

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 fund-raisers. They are responsible for ensuring that the IAFs are administered in accordance with MCPS policies, regulations, and procedures.

The 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 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 there is compliance with MCPS policies, regulations, and procedures, and that any significant errors or omissions in the financial records are detected.

At our meeting on January 30, 2017, with you and Mrs. Heather K. Alonzo, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated June 11, 2014, and the status of present conditions. We commend you on your efforts' to improve conditions described in our previous report. 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: *Independent Activity Funds Request For A Purchase*, is used to obtain principal approval to proceed with an intended purchase (refer to *MCPS Financial Manual*, chapter 20, page 4). 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 found prior principal approval was not consistently obtained. In addition, we noted that some sponsors used personal credit cards for large purchases and that the documentation to support the purchases were not annotated by the purchaser to indicate the goods or services were satisfactorily received. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditure amounts and signed by you at the time verbal approval is sought. All documentation supporting purchases should be annotated by the purchaser to indicate purchased goods or services were satisfactorily received, and the use of personal credit cards should be discouraged. Certain sponsors would benefit from being assigned a school purchasing credit card to make large purchases while others should have an annual budget detailing expected income and expenses approved by you at the beginning of the school year. These budgets should be monitored by your school financial specialist during the school year 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 that analyzes the results of the activity. We recommend that sponsors prepare a completion report at the conclusion of each fund-raising activity involving the sale of items that includes the total number of items for sale, the cost of each, selling prices, and any remaining inventories to determine whether all sums collected were remitted to the school financial specialist. Following these internal control procedure provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the activity.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Personal credit cards should not be used to make school purchases.
- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results (**repeat**).

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*, please provide a response to the Internal Audit Unit within 30 calendar days of this report, with a copy to Dr. Eric L. Minus, director of school support and improvement of middle schools. In your response, please share a detailed plan for addressing these issues including appropriate staff training and support. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:lsh

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Dr. Williams

Mrs. Camp

Mrs. Chen

Ms. Diamond

Dr. Minus

Mr. Tallur

Mr. Ikheloa

Fiscal Management Action Plan

School: **A. Mario Loiederman MS**

Principal: **Nicole Sosik**

Approved by community superintendent: _____

Date of approval: _____

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. Met with individual Sponsors to go over expectations 2/7-2/13/17.</p>
<p>Purchases: Purchaser Must confirm receipt of goods or services prior to disbursement</p>	<p>Purchaser will review invoices to make sure all goods or services have been received prior to requesting disbursement from Financial Specialist. Heather Alonzo (SFS), Purchasers</p>	<p>On-going</p>	<p>SFS will check all invoices to make sure that they have been annotated by purchaser to indicate purchased goods or services were satisfactorily received.</p>
<p>Purchases: Personal credit cards should not be used to make school purchases.</p>	<p>All purchases will be made by either the SFS or another school purchasing card holder. Purchasers will not use their own personal credit cards for large purchases. Heather Alonzo (SFS), Purchasers</p>	<p>On-going</p>	<p>SFS and Principal will make budgets for sponsors who are making frequent large purchases. Current card holders will make all large purchases via their school purchasing card. Met with individual Sponsors to go over expectations 2/7-2/13/17.</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. Met with individual Sponsors to go over expectations 2/7-2/13/17.</p>