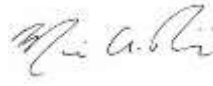


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

April 7, 2026

MEMORANDUM

To: Ms. Megan M. McLaughlin, Principal  
A. Mario Loiederman Middle School for Creative and Performing Arts

From: Melvin A. Phillips, Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period  
September 1, 2024, through January 31, 2026

**Background**

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. Principals are responsible for ensuring that the IAFs are administered in accordance with:

- Board Policy
- MCPS Regulation DIA-RA
- MCPS Financial Manual
- MCPS Business Center Memoranda and Tools

A. Mario Loiederman Magnet Middle School for Creative and Performing Arts (Loiederman), is part of the Middle School Magnet Consortium (MSMC). Loiederman is located in Silver Spring, Maryland; unlike most middle schools in the county, students who reside within the boundaries of Loiederman and other MSMC schools do not have a base middle school; instead, students are assigned to one of three MSMC's offering innovative and challenging curricula: Loiederman specializing in creative and performing arts, Argyle specializing in digital design and development, and Parkland specializing in math and science through aerospace technology and robotic engineering. Students are admitted through a lottery school assignment process called the Choice process. Students who reside outside of the Consortium can also apply to attend any MSMC. Loiederman serves grades 6 through 8 and is an MCPS community school. MCPS Community Schools serve as hubs that provide students, families, and communities with essential wraparound services, ensuring equitable access to services and outcomes for all. Because Loiederman is an MSMC, the school hosts multiple performing arts events throughout the year to promote the creative and performing arts curriculum. During the audit period, the school received annual commissions from the Interagency Coordinating Board (ICB), student pictures, and cell tower commissions to support student initiatives and activities. The Independent Activity Fund (IAF)

primarily supports activities related to productions and field trips. At the time of this audit, Loiederman reported total IAF assets of \$140,185. Of this balance, \$73,219 is in the Centralized Investment Fund (CIF), which pays a 3.28 percent annual interest rate. For the fiscal year ending June 30, 2025, the school reported total receipts of \$217,851 and total disbursements of \$224,494, resulting in a deficit of \$6,643.

### **Audit Objective**

The Internal Audit Unit (IAU) uses generally accepted auditing principles to provide an audit opinion on the school's financial activity by evaluating the adequacy of internal controls and compliance with Board of Education (Board) policies and MCPS regulations and procedures. Specifically, the audit seeks to obtain reasonable assurance that:

- Evidence of fraud was not identified within the IAF.
- Funds are safeguarded against loss, misappropriation, or misuse.
- Transactions are accurately recorded and fairly reported in the school's financial records.
- Receipts and disbursements are appropriate, properly documented, and consistent with the intended purpose of the funds.
- Instances of misappropriation, misreporting, or waste, if they exist, are identified and evaluated for materiality.

The IAU is free from organizational impairments to independence. The IAU administratively reports directly to the chief of staff of the Office of the Board of Education and functionally reports to the Montgomery County Board of Education's Fiscal Management Committee.

### **Methodology**

The audit is not designed to examine every transaction; instead, it relies on risk-based sampling and other generally accepted audit procedures to provide reasonable assurance. Audit procedures include interviews with key staff, a review of prior audit findings and the status of related action plans, testing of transaction samples, and an on-site assessment of internal controls and procedures.

### **Audit Opinion:**

Needs improvement – Moderate Risk

Based on the results of our audit, we noted that IAF is generally well managed, with no evidence of fraud or material misappropriation, misreporting, or waste. However, some deviations from policy and opportunities for improvement were noted. These items are not considered high-risk when evaluated collectively.

In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, using the attached action plan template, provide a written response approved by

the school's director of school leadership and improvement, to the IAU within 30 calendar days of this report.

### **New Findings and Recommendations:**

**Finding 1 [High Risk]:** Purchases for goods and services were procured prior to obtaining principal approval.

Schools must follow *the MCPS Financial Manual*, chapter 20, *Independent Activity Funds*, to manage the procurement of goods and services using IAF. In our sample of disbursements, we found that in 14 of 28 disbursements, the MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, was not approved by the principal prior to the procurement of goods or services. Additionally, we found that five budget line items exceeded the approved budget without obtaining prior approval for purchases.

We recommend that staff obtain the principal's approval using MCPS Form 280-54, before purchasing goods or services. If the sponsor is seeking immediate approval, the sponsor should have the MCPS Form 280-54 prepared, allowing for a signature to be captured at that time. We also recommend that sponsors with approved budgets monitor budget line items. In the event that a sponsor suspects a line item will be exceeded, the sponsor should either revise the budget and obtain principal approval, with a signature and date on the approval document, or use MCPS Form 280-54 approval process before procuring goods or services.

**Finding 2 [High Risk]:** Funds were held by sponsors rather than being remitted daily to the financial agent, and the financial agent did not always provide the remitter of funds with an School Funds Online (SFO) generated receipt.

To properly control receipts, cash, and checks collected by sponsors for IAF activities, must be remitted promptly and intact to the financial agent along with MCPS Form 280-34, *MCPS Remittance Slip*. Cash must be counted in the presence of the remitter, and a receipt, supported by the remittance slip, must be issued promptly. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (refer to the *MCPS Financial Manual*, chapter 7, pages 4-5). To minimize the risk of loss and ensure that available funds are fully utilized to meet school needs, all funds collected must be remitted daily to the financial agent and deposited promptly. All collected funds must be receipted under dual control, and any corrections must be initialed by the sponsors. Additionally, the remittance form must be signed, and the receipt must be printed on a sequentially numbered two-part SFO-issued stock once it is entered in the school accounting system. One of the two-part SFO receipts must be provided to the remitter as evidence that the transaction has been recorded accurately and in a timely manner by the financial agent. We found five of six samples with instances in which funds were held by sponsors rather than remitted daily to the school financial specialist. In two of those instances, funds were held over a weekend, the end of the month, or a holiday. We also noted that the school's financial specialist was recording transactions from

multiple remitters on a single receipt, thereby failing to provide remitters with sequentially pre-numbered receipt SFO copies to verify the posting of funds in the school's accounting software.

To minimize the risk of loss and ensure that available funds are fully utilized to meet school needs, we recommend that all funds collected be remitted to the secretary daily, verified by both parties, and entered into the accounting software. In addition, all remittances on hand must be deposited promptly, and always before each weekend, the end of the month, or a holiday. Staff should monitor their remittances to the financial specialist to ensure they promptly receive a receipt.

**Exit Conference:**

At our March 12, 2026, exit conference with Ms. Megan M. McLaughlin, principal, and Mrs. Heather L. Alonzo, school financial specialist, we reviewed the prior audit report dated October 28, 2024, and the status of the current 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.

You received a comprehensive report outlining each finding, best practices, and items not reportable in the audit. This audit report presents the findings and recommendations resulting from our examination of the IAF records and financial accounts for the school for the period designated.

We thank you for your cooperation. Based on the **Needs Improvement** IAF audit, an action plan must be completed. Prior to returning your completed audit action plan, please contact Dr. Joe Rubens, Jr., director of school leadership and improvement, Division of School Leadership and Improvement, for written approval of your plan, based on the audit recommendations.

MAP:LMB:rg

Attachment

Copy to:

Members of the Board of Education  
Dr. Taylor  
Mrs. Alfonso-Windsor  
Ms. McGuire  
Dr. Moran  
Ms. Seabrook  
Mr. Francois  
Dr. Jones  
Mrs. Chen  
Mrs. Ripoli  
Dr. Rubens  
Mr. Santos Rodriguez  
Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> 4/7/26	<b>Fiscal Year:</b> FY26
<b>School or Office Name:</b> Loiederman MS	<b>Principal:</b> Megan McLaughlin
<b>DSLI</b> <b>Associate Superintendent:</b> Sean McGee	<b>DSLI</b> <b>Director:</b> Dr. Joe Rubens
<p><b><u>Strategic Improvement Focus:</u></b>                  As noted in the financial audit for the period <u>9/1/24-1/31/26</u>, strategic improvements are required in the following business processes :</p> <p>Purchase of goods and services procured after principal's approval. Sponsors will not hold onto funds, and will submit daily.</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Form 280-55 will be prepared by staff and signed by principal prior to purchases being made.	Heather Alonzo (SFS) Megan McLaughlin (Principal)	MCPS Business Center, Financial Manual Ch. 20	SFS will not reimburse staff unless prior principal approval is confirmed.	Principal will check weekly each 280-55 for appropriate dates compared to the receipt dates before signing	All disbursement procedures of the IAF will be correctly followed.
Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with 280-34 to SFS on the same day the funds are received.	Heather Alonzo (SFS)	MCPS Business Center, Financial Manual Ch. 20	SFS will check in with sponsors daily to make sure they have remitted any payments received that day.	SFS will make sure sponsors are remitting any payments received daily.	All remittance procedures of the IAF will be correctly followed.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

**DIVISION OF SCHOOL LEADERSHIP AND IMPROVEMENT (DSL)**

Approved     
  Please revise and resubmit plan by \_\_\_\_\_

Comments:

Director: \_\_\_\_\_

Date: 5/19/26

