


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

August 6, 2018

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  
December 1, 2016 through May 31, 2018

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 and are 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 July 16, 2018, meeting with you and Mrs. Heather K. Alonzo, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated February 7, 2017, 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, *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). Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, we found prior principal approval was not consistently

obtained. In addition, we found invoices and online purchase confirmations that were not marked as "received" by the purchaser to indicate the goods or services were satisfactorily received. By requiring prior approval, the principal retains control over the expenditure of IAFs. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expenditure amount and signed by you at the time verbal approval is sought, and that purchasers confirm receipt of the goods or services.

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 found that the school did not reconcile all funds collected from students to the OEEP invoices and did not correctly report students who were identified as needing assistance. We recommend that you review the procedures for reporting students needing financial assistance with the sponsor to ensure that the financial assistance forms are accurate, and all funds collected from students are reconciled to the OEEP invoices before payment.

#### 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 (**repeat**).
- OEEP sponsor records must correctly report funds collected and waivers granted for all participating students.

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*, using the attached form, please provide a written response to the Internal Audit Unit within 30 calendar days of this report. In your response, please share a detailed plan for addressing these issues, including appropriate staff training and support.

Prior to returning your completed audit action plan, please contact Mrs. Jennifer L. Webster, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mrs. Webster will indicate whether she will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school financial agent to support you with developing a well-defined plan to address the findings.

RWP:HT:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Morris

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Tallur

Mrs. Webster

Mr. Ikheloa




**FINANCIAL MANAGEMENT ACTION PLAN**

<b>Report Date:</b> 8/6/18	<b>Fiscal Year:</b> 8/6/18
<b>School:</b> A. Mario Loiederman MS - 787	<b>Principal:</b> Nicole Sosik
<b>OSSI Associate Superintendent:</b> Dr. Darryl Williams	<b>OSSI Director:</b> Jen Webster
<p><b>Strategic Improvement Focus:</b>                  As noted in the financial audit for the period <u>12/1/16-5/31/18</u>, strategic improvements are required in the following business processes :                  Prior principal approval on 280-54 obtained before procurement, and OEEP invoices reconciled with school funds collected indicating student financial assistance needs.</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Prior approval on 280-54 will be obtained by principal prior to procurement. Invoices will be marked as "received" by purchaser indicating goods/services were satisfactorily received.	Heather Alonzo (SFS), Nicole Sosik (Principal)	N/A	SFS will check for account balances to make sure there is sufficient funds.	Principal will check each 280-54 for appropriate dates compared to receipt dates before signing	Pre-Service professional Development will be provided to staff
Funds collected from students going to OEEP field trip will be reported correctly and identified if needing financial assistant or not.	Heather Alonzo (SFS), Event Sponsor	N/A	Event sponsor will fill out financial assistance forms for OEEP before submitting to MCPS. OEEP sponsor will keep an excel spreadsheet of all payments.	SFS will review financial assistance forms with event sponsor for accuracy	procedures for reporting students needing financial assistance will be reviewed with event sponsor

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OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSD) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments:	
Director: 	Date: 8/30/18