MEMORANDUM

To: Ms. Panagioti K. Tsonis, Principal
    Newport Mill Middle School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period
         January 1, 2012, through December 31, 2013

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 January 27, 2014, with you and Mrs. Martha Ballon, financial specialist, we reviewed the status of the conditions described in our prior audit report dated February 14, 2012, 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

We recognized your efforts to improve accountability for funds collected from students for field trips. Sponsors are now using spreadsheets with the names of potential travelers to record sums collected. However, we noted instances in which the dates funds were collected were not shown on the sheets thus disabling our ability to reconcile the spreadsheets with remittances slips at the time funds are turned over to the financial specialist. We recommend records maintained by field trip sponsors confirm that all funds collected from students have been turned over to the financial specialist in a timely manner.
In addition to the above, we found that controls over disbursements could be improved. We noted several instances in which purchases had been made without your prior approval, instances in which invoices or packing slips were not notated by the recipient that merchandise had been received and counted, and payments for transportation services to companies which were not on the MCPS approved carrier list. We also found reimbursements to a staff person for significant purchases made using a personal charge card. We recommend all purchasing activity be brought into compliance with the MCPS Financial Manual.

We were unable to adequately determine the adequacy of control over the sale of PE uniforms because the records did not reflect the quantity of the beginning inventory. We discussed with the activity sponsor the need to count and certify additions to inventory, to keep records of sales and other distribution of garments, and to conduct an accurate, periodic count of garments (at least annually), so that a correct profit/loss statement can be prepared.

Summary of Recommendations

- 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 (repeat);
- Purchase requests must be approved by the principal prior to procurement;
- Receipt of goods or services must be confirmed prior to disbursement;
- Personal credit cards used to make school purchases accruing benefits to the cardholder should be discouraged;
- Transportation services must be provided by vendors on the MCPS approved carrier list; and
- Physical Education uniform sale and inventory processes should comply with the requirements outlined in the *Handbook for the Operation of School Stores*.

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:LS:sd

Copy to:
Mr. Bowers                  Dr. Williams
Dr. Statham                 Mrs. DeGraba
Dr. Schiavino-Narvaez      Mrs. Milwit
Mr. Sanderson               Mrs. Chen
# Fiscal Management Action Plan

**School:** Newport Mill Middle School  
**Principal:** Panagiota Tsonis

<table>
<thead>
<tr>
<th>Findings and Recommendations of School's Financial Report</th>
<th>Description of Resolution and Person(s) Responsible</th>
<th>Timeline</th>
<th>Evidence of Completion</th>
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</thead>
<tbody>
<tr>
<td>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.</td>
<td>Sponsors will be reminded, once again, to use Field Trip Accounting Form 280-41, instead of creating their own spreadsheet.</td>
<td>Sponsors have been reminded and encouraged to use this form. 03/14</td>
<td>Principal has communicated to sponsors the importance of maintaining and submitting good field trip accounting records.</td>
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<td>Purchase requests must be approved by the principal prior to purchase being made.</td>
<td>Financial specialist will make sure that all purchase requests are approved by the principal prior to staff making the purchase.</td>
<td>Staff have been reminded of these guidelines. 03/14</td>
<td>Guidelines have been electronically sent to staff.</td>
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<tr>
<td>Personal credit cards used to make school purchases accruing benefits to the cardholder should be discouraged.</td>
<td>Personal credit cards are no longer being used. (We had to use personal credit cards due to unforeseen emergencies.)</td>
<td>During school year 13-14, no personal credit cards have been used.</td>
<td>Accounting records.</td>
</tr>
<tr>
<td>Transportation services must be provided by vendors on the MCPS approved carrier list.</td>
<td>Financial specialist will make sure that carrier being used is on the MCPS approved carrier list.</td>
<td>Sponsors have been reminded of these guidelines. 03/14</td>
<td>Guidelines have been electronically sent to staff.</td>
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<tr>
<td>Physical education uniform sale and inventory processes should comply with the requirements outlined in the <em>Handbook for the Operation of School Stores.</em></td>
<td>Auditor and financial specialist met with the PE content specialist and explained the process to be carried out.</td>
<td>PE content specialist has been asked to conduct an inventory prior to the end of the school year and to count uniforms received prior to selling them. 03/14</td>
<td>Guidelines have been sent to the PE content specialist.</td>
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