MEMORANDUM

To: Mr. Cary D. Dimnick, Principal
    Sligo Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
         March 1, 2016, through July 31, 2017

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 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 September 19, 2017, meeting with you and Ms. Yolanda M. Alston, school financial
specialist, we reviewed the status of the conditions described in our prior audit report dated
August 9, 2016, 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 the
principal’s 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. Invoices and receipts must be signed by the purchaser to indicate satisfactory acceptance of the quantity and quality of the goods or services received. A check may then be drawn and it must bear two signatures, one of which is that of the principal. The school financial specialist will mark the documentation as “paid.” In our sample of disbursements, we found compliance with internal controls over purchases except for instances in which documentation was not annotated by the purchaser to indicate the goods or services were satisfactorily received. We recommend that the purchaser annotate “Received” on the invoice or receipt to indicate the purchased goods or services were satisfactorily received.

Summary of Recommendations

- Purchaser must confirm receipt of goods or services prior to disbursement.

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. Diane D. Morris, director of school support and improvement of middle schools. Based on the audit recommendations, Mrs. Morris 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 administrative secretary to support you with developing a well-defined plan to address the findings.

RWP:RCM:lish

Attachment

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
Mrs. Morris
Mr. Tallur
Mr. Ikheloa
### Strategic Improvement Focus:
As noted in the financial audit for the period **Mar'16 - July '17**, strategic improvements are required in the following business processes:

"Purchaser must confirm receipt of goods or services prior to disbursement"

<table>
<thead>
<tr>
<th>Action Steps</th>
<th>Person(s) Responsible</th>
<th>Resources Needed</th>
<th>Monitoring Tools / Data Points</th>
<th>Monitoring: Who &amp; When</th>
<th>Results/Evidence</th>
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<tbody>
<tr>
<td>Financial assistant will use a date stamp to indicate the receipt of the goods - upon delivery to the school - and prior to disbursement to the proper receiving parties</td>
<td>Ms. Yolanda Alston, financial assistant</td>
<td>Date stamp</td>
<td>monthly review of the delivery invoices for delivered goods</td>
<td>financial assistant and principal</td>
<td>delivery invoices will be marked as received - with the date stamp</td>
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<td>Action Steps</td>
<td>Person(s) Responsible</td>
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**OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL**

☑ Approved    □ Please revise and resubmit plan by ____________

Comments:

Director: [Signature] Date: 11/28/17