MEMORANDUM

To: Mr. Cabell W. Lloyd, Principal
    Meadow Hall Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit

Subject: Report on Audit of Independent Activity Funds for the Period
          October 1, 2009, through January 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,
regsulations, 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 March 22, 2013, with you, Mr. Daniel Tucci, assistant principal, and
Mrs. Paula McCord, administrative secretary, we reviewed the status of the conditions described
in our prior audit report dated December 8, 2009, 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 noted instances where MCPS Form 280-54, Request for a Purchase, was not used when
disbursements were made to MCPS. Regardless of the documentation that approved the
procurement of goods and services, all disbursements from a school’s IAF will be approved by
the principal using MCPS Form 280-54, prior to expenditure of funds (see MCPS Financial Manual, p. 20-5). Also, the recipient must indicate on the receipt or invoice supporting purchases that the goods or services were satisfactorily received, and the financial agent must stamp or mark this documentation as “Paid” to avoid duplicate payment.

Review of field trip activities revealed that sponsors are not utilizing MCPS Form 280-41, *Field Trip Accounting*, or equivalent. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41, or equivalent, and submit the data to the administrative secretary when a trip is completed. The record of names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above (see MCPS Financial Manual, p. 20-9).

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account statement for each month in which transactions have been recorded in their respective account. Although sponsors were being provided account statements, we found this essential internal control procedure was not being used every month. We recommend sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After any discrepancies are resolved, the statements should be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all statements are reviewed and returned (see MCPS Financial Manual, p. 20-9).

**Summary of Recommendations**

- Disbursements from a school’s IAF will be approved using MCPS Form 280-54 prior to expenditure of funds;

- Receipt of goods or services must be confirmed prior to disbursement;

- Invoices and receipts must be annotated as paid to indicate disbursement was made;

- Sponsors of field trips must use MCPS Form 280-41, *Field Trip Accounting*, or equivalent. Field trip providing comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip; and

- Monthly account transaction statements must be provided to sponsors for affirmation of correctness and returned to the financial agent.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of Mrs. McCord which greatly facilitated our audit. 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. Donna S. Hollingshead, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:GB:sd

Copy to:
Mr. Bowers
Dr. Statham
Dr. Schiavino-Narvaez
Dr. Marks
Dr. Hollingshead
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen
MEMORANDUM

To: Dr. Donna Hollingshead, Community Superintendent

From: Mr. Cabell W. Lloyd, Principal

Subject: Audit of Independent Activity Funds

April 26, 2013

I have received the audit of Meadow Hall’s Independent Activity Funds for the period October 1, 2009, through January 31, 2013.

The procedures and actions to strengthen accountability were discussed with Mr. George Beall, Accountant, Mrs. Paula McCord, Administrative Secretary, Mr. Daniel Tucci, Assistant Principal and myself and will be handled as follows:

- All disbursements from the school’s IAF will be approved by the principal using MCPS Form 280-54.
- Goods or services will be confirmed “received” before disbursement.
- Receipts or invoices will be stamped “Paid” to avoid duplicate payment.
- Field trip procedures have been restructured to include MCPS Form 280-41, Field Trip Accounting. Sponsors will record cost and fee information for each field trip and submit the data to the administrative secretary when the trip is completed.
- Sponsors of school activities will receive an account statement monthly. They will review transactions, correct any discrepancies, sign and date the statement to verify accuracy. The sponsors will then return the statement to the administrative secretary to be file with the finical monthly report.

CWL:pmc

Copy to:
Internal Audit