


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

November 26, 2012

MEMORANDUM

To: Mrs. Meredith A. Casper, Principal  
Pine Crest Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
November 1, 2009, through September 30, 2012

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 November 8, 2012, with you, and Mrs. Lisa Trainor, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated January 11, 2010, and the status of present conditions. While the conditions discussed in the previous report have been improved or resolved, additional effort is needed to implement recommendations pertaining to pre-approval of expenses. Our findings and recommendations appear below.

Findings and Recommendations

MCPS Form 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-5). 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. In our random sample of disbursements, prior approval was not consistently obtained. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff

and signed by the principal at the time verbal approval is sought so that invoices or receipts bear a date subsequent to the approval date. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining your approval in the beginning of the school year. These budgets should be monitored by your financial specialist and revised if necessary.

Fund raising at the school was not conducted in accordance with the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We were not able to accurately evaluate the results of a fund raiser that commingles funds involving unrelated activities. Upon written approval, each fund raising activity should have a separate account established in the 800 series. Separate accounts provide internal control to avoid the commingling of funds and enable an accurate evaluation of the results. We recommend not including non-fund raiser expenditures within a fund raiser account.

Analysis of the school checking account showed consecutive months when the balance exceeds immediate needs. Keeping high balances in the checking account limits the amount of interest the school could be earning. The principal is responsible for ensuring that funds in excess of current needs are invested in a manner that will earn a reasonable rate of return. A better use of the excess funds is to deposit them in the MCPS Centralized Investment Fund to maximize interest income. When needed to cover expenses, these funds are available for prompt return to the school.

#### Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (repeat);
- Fund raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*; and
- Centralized Investment Fund should be used to deposit excess funds;

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 Ms. Bronda Mills, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:RM:sd

Copy to:

Mr. Bowers  
Dr. Statham  
Dr. Schiavino-Narvaez  
Dr. Marks  
Ms. Mills  
Mrs. DeGraba  
Mrs. Milwit  
Mrs. Chen

**Pine Crest Elementary School**  
**Response to Audit Report Findings**  
**November 29, 2012**

Pine Crest completed an audit from November 1, 2009 to September 30, 2012. This is the third audit here at Pine Crest during my tenure as principal. The following represents a summary of the identified strengths and upgrades as a result of a collaborative discussion with Mr. Bob McIlvain, auditor; Mrs. Lisa Trainor, administrative secretary and Mrs. Meredith Casper, principal on November 8, 2012.

The following items were identified as strengths:

- Balanced budget
- Records are easy to follow
- Paperwork has all required signatures from staff members
- Deposits are conducted frequently and consistently
- Fundraisers use the required paperwork (requests and completion)
- Decrease in the number of findings
  - 2006 = 6 findings
  - 2009 = 5 findings
  - 2012 = 3 findings

The following items were identified as upgrades:

1) Independent Activity

- Area of Concern: Timing of dates on the IAF form (approval to purchase)
- Upgrade:
  - Continue to reinforce the signing of the IAF account prior to spending funds; Consider stapling electronic preapproval (email) to the IAF form.
  - Note: Although approval has been achieved prior to spending as part of the best practices for spending at Pine Crest, the paper work has not consistently been created in advance.
  - Create a principal's discretionary account for \$100 to acknowledge the incidental expenses which occur over the course of a month

2) Fundraising: Guidelines for Sponsoring an IAF Fund Raiser

- Area of Concern: Although each fundraiser activity has its own account, funds need to be transferred to a separate account for other student expenses from the established profits.
- Upgrade: Create a separate account for profit expenditures.

3) Centralized Investment fund

- Area of Concern: There is too much money in the CIF within a given year period
- Upgrade: Consider transferring \$10,000 at the end of the fiscal year OR look at other purchases needed for the school.