


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

March 7, 2014

MEMORANDUM

To: Mrs. Cynthia A. Houston, Principal
Pine Crest Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
October 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 February 27, 2014, with you, and Mrs. Donna Deane, administrative secretary, we reviewed the status of the conditions described in our prior audit report dated November 26, 2012, and the status of present conditions. It should be noted that your appointment as acting principal was effective August 1, 2013. 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, *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.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (repeat).

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 L. Mills, associate superintendent of elementary schools. 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
Mr. Sanderson
Ms. Mills
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

Pine Crest Elementary School
Response to Audit Report Findings
March 10, 2014

Pine Crest completed an audit from October 1, 2012 through December 31, 2013. The following represents a summary of strengths and upgrades as discussed with Mr. Bob McIlvain (auditor), Mrs. Donna Deane (administrative secretary, position effective July 1, 2013), and Cynthia Houston (acting principal, position effective August 1, 2013) on February 27, 2014.

The following items were identified as strengths:

- The transition of new acting principal and new administrative secretary had no effect on maintaining the procedures and records were found easy to follow
- Paperwork consistently had all required signatures from staff
- Fundraisers used the required documentation and accounts maintained
- Decrease in the number of findings from last audit in 2012 from 3 findings to 1

The following item was identified as needing an upgrade:

- Area of Concern: Independent activity fund – IAF form 280-54: obtaining prior approval before reimbursement/disbursement of monies (repeat)
- Upgrade:
 - Reinforcing the completion/signing of the IAF form prior to spending funds
 - Stapling any electronic preapproval (email) to the IAF form
 - Documentation acknowledging that incidental expenses can occur over the course of a month can be reimbursed but not to exceed \$100.00