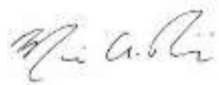


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

April 7, 2026

MEMORANDUM

To: Ms. Panagiota G. Tsonis, Principal
Benjamin Banneker Middle School

From: Melvin A. Phillips, Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2024, through December 31, 2025

Background

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. School 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. Principals are responsible for ensuring that the IAFs are administered in accordance with:

- Board Policy
- MCPS Regulation DIA-RA
- MCPS Financial Manual
- MCPS Business Center Memoranda and Tools

Benjamin Banneker Middle School, located in Burtonsville, Maryland, is part of the Paint Branch Cluster within the Northeast Consortium (NEC) of MCPS. As of December 31, 2025, the school reported total Independent Activity Fund (IAF) assets of \$75,636, of which \$53,129 was held in the Centralized Investment Fund (CIF), earning an annual interest rate of 3.28 percent. For the fiscal year ended June 30, 2025, the school reported total receipts of \$130,266 and total disbursements of \$150,578. Fundraising activities generated net proceeds of \$9,047. Field trip activities, including the outdoor education program, generated receipts of \$71,390 and disbursements of \$90,237, resulting in a net deficit for the year; however, this deficit was offset by surplus activity from other school programs. In addition, the school received annual commissions from the Interagency Coordinating Board (ICB), cell tower, vending machines, and student pictures.

Audit Objective

The Internal Audit Unit (IAU) uses generally accepted auditing principles to provide an audit opinion on the school's financial activity by evaluating the adequacy of internal controls and compliance with Board of Education (Board) policies and MCPS regulations and procedures. Specifically, the audit seeks to obtain reasonable assurance that:

- Evidence of fraud was not identified within the IAF.
- Funds are safeguarded against loss, misappropriation, or misuse.
- Transactions are accurately recorded and fairly reported in the school's financial records.
- Receipts and disbursements are appropriate, properly documented, and consistent with the intended purpose of the funds.
- Instances of misappropriation, misreporting, or waste, if they exist, are identified and evaluated for materiality.

The IAU is free from organizational impairments to independence. The IAU administratively reports directly to the chief of staff of the Office of the Board of Education and functionally reports to the Montgomery County Board of Education's Fiscal Management Committee.

Methodology

The audit is not designed to examine every transaction but instead relies on risk-based sampling and other generally accepted audit procedures to provide reasonable assurance. Audit procedures include interviews with key staff, a review of prior audit findings and the status of related action plans, testing of transaction samples, and an on-site assessment of internal controls and procedures.

Audit Opinion:

Unsatisfactory – High Risk

Significant deficiencies in internal controls and financial management practices were identified within IAF. These deficiencies create a high risk of fraud, material misappropriation, misreporting, or waste. The issues observed were pervasive and indicate that the school is not in compliance with MCPS policies and procedures.

In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, using the attached action plan template, provide a written response approved by the school's director of school leadership and improvement to the IAU within 30 calendar days of this report.

Findings and Recommendations:

Finding 1 [High-Risk]: During our audit, we noted that the financial agent solicited business to school staff and the community by offering wealth management and retirement planning services

and by posting flyers in her office without prior approval from the MCPS Ethics Panel. We also noted that the financial agent was using the cafeteria, reserved through ICB as a school event without charge, to conduct monthly free seminars for the community, during which a wealth advisor was invited to present business offerings.

Employees are encouraged to disclose potential conflicts of interest in advance or seek prior guidance regarding conduct about which there may be potential concerns. Any MCPS employee or candidate for MCPS employment may request an advisory opinion from the Board of Education Ethics Panel, as set forth in Policy BBB, *Ethics*, and MCPS Regulation GCA-RA, *Employee Conflict of Interest*.

MCPS employees shall not use any person, money, property, or other MCPS resources under their official control or direction, or in their official custody, for personal benefit or gain, or the personal benefit or gain of another individual or entity, except employees may make occasional or limited use of MCPS equipment or facilities for their personal benefit if the cost of the use to MCPS is negligible. MCPS Regulation GCA-RA, *Employee Conflict of Interest*.

Finding 2 [High-Risk]: The school did not adhere to the MCPS procurement process according to the *MCPS Financial Manual* when contracting with a consultant/independent contractor using Independent Activity Funds (IAF) that provided a service to the school.

Schools must follow *the MCPS Financial Manual, chapter 20*, Independent Activity Funds, to procure goods and services using IAF. In our sample, we noted a payment to an independent contractor who provided services to the school. The services included the setup of inflatables and lighting for homecoming. The vendor and the service provided required procurement approval on MCPS Form 280-55, *Independent Activity Funds request for Purchase of Goods or Services*, and a review by MCPS' Systemwide Safety Programs prior to contracting and issuing payment to the vendor.

We recommend that the sponsor, the financial agent, and the principal review all purchase requests in advance to determine whether additional authorization is required before procuring goods or services. If the school is unsure whether a request requires additional approval, the *MCPS Financial Manual*, chapters 15 and 20, should be referenced, or the school can contact the MCPS Procurement Unit.

Finding 3 [Low-Risk]: School Cash Online (SCO) processing fees were not used in accordance with MCPS Regulations.

According to SchoolCash Online District Wide Accounts for Processing Fees memorandum dated October 27, 2022, fees collected at the school level can be utilized for waiver/fee reduction for students to participate in school activities as well as to offset incurred operational expenses for managing school finances, not limited to purchasing check and receipt stock, endorsement stamps,

and deposit slips. We recommend that the school use the funds for their intended purpose per the memo.

Finding 4 [Low-Risk]: We noted that the school is carrying a significant balance in the exchange account that was originally donated to support student field trip costs. The exchange account is intended to record transactional activity, not to hold donated funds for extended periods. Maintaining these funds in the exchange account misrepresents the school's financial position and does not accurately reflect the intended purpose of the donations.

We recommend that the school transfer the donated funds from the exchange account to the appropriate donation account. The funds should then be used in accordance with donor intent to supplement and offset student field trip costs for future trips. Proper classification will ensure accurate financial reporting and alignment with established accounting guidelines.

Exit Conference:

At our February 19, 2026, exit conference with Ms. Panagiota G. Tsonis, principal, and Ms. Desiree E. Lee-Thompson, school financial specialist, we reviewed the prior audit report dated October 28, 2024, and the status of the present conditions. You received a detailed report outlining each minor deficiency, best practices, and other areas for improvement.

We thank you for your cooperation. Based on the **Unsatisfactory** status of your IAF audit, an action plan must be completed. Prior to returning your completed audit action plan, please contact Ms. Jewel Sanders, director of school leadership and improvement, Division of School Leadership and Improvement, for written approval of your plan based on the audit recommendations.

MAP:BK:rg

Attachment

Copy to:

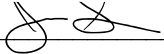
Members of the Board of Education
Dr. Taylor
Mrs. Alfonso-Windsor
Ms. McGuire
Dr. Moran
Ms. Seabrook
Mr. Francois
Dr. Jones
Mrs. Chen
Mrs. Ripoli
Ms. Sanders
Mr. Santos Rodriguez
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: April 7, 2026	Fiscal Year: 2025-2026
School or Office Name: Benjamin Banneker Middle School	Principal: Panagiota Tsonis
DSLI Associate Superintendent: Dr. Donna Redmond Jones	DSLI Director: Mrs. Jewel Sanders
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>2025-2026</u>, strategic improvements are required in the following business processes :</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Finding #1- All MCPS employee "business" solicitation must be vetted and processed according to MCPS policy and regulations. Guidance and clarifying questions will be available on a need by need basis from school administration, and financial specialist.	Desiree Lee-Thompson/ Principal	MCPS Employee Conflict of Interest	Review list of MCPS approved vendors/process 280-55 submission	Lee-Thompson Review employee content request/ 280-55 as needed	No unauthorized private solicitation of services.
Finding #2- Principal and the financial specialist will enforce, and review all 280-55 requests prior to approval of program /event.	Desiree Lee-Thompson/ Principal	MCPS 280-55, MCPS finance manual	Review all purchase request, with quotes/ account information etc. Prior to approval	Lee-Thompson Review upon every request and 280-55 submission.	All contractors will be approved via MCPS before calendar date is set and communication is sent to students/community.
Finding #3- School Cash Online processing fees will be used for approved student resources/accounts only.	Desiree Lee-Thompson/ Principal	MCPS Business Center, SCO, and MCPS HUB+	Weekly and or Bi weekly admin/finance office meeting to review accounts and transfers etc.	Lee-Thompson/ Administration monthly communications/ meetings	SCO processing fees will only be transferred into student related accounts.
Finding #4- The exchange account has been "zero out" and funds have been transferred into the appropriate donation account. This was done after the exit conference review of findings on 2-19-26.	Desiree Lee-Thompson	MCPS Financial Manual	Monthly account review, checks and balance system for all accounts.	Finding Rectified	The exchange account funds have been transferred into a new donation account as of 2-20-26.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Finding #4 continued- In the future the exchange account will be monitored as funds are incurred. All exchange funds will be transferred into the appropriate donation account within a reasonable time frame.	Desiree Lee-Thompson	MCPS Financial Manual	Monthly account review, checks and balance system for all accounts, using the chart of accounts as a resource check.	Lee-Thompson will review the exchange account as funds are added.	The exchange account funds will be transferred into the appropriate donation account.

DIVISION OF SCHOOL LEADERSHIP AND IMPROVEMENT (DSL I)	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____	
Director: Jewel Sanders	 _____ Date: <u>04/09/2026</u>