


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

February 17, 2026

MEMORANDUM

To: Ms. Laura M. Swerdzewski, Principal  
Beverly Farms Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
July 1, 2022, through October 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

Beverly Farms ES is located in Potomac, Maryland and is part of the Winston Churchill cluster. At the time of this audit, Beverly Farms ES reported total IAF assets of \$32,753. Of this balance, \$7,432 is in the Centralized Investment Fund (CIF), which pays a 3.28 percent annual interest rate. The school received annual commissions from the Interagency Coordinating Board (ICB) 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 (BOE) 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:**

Needs Improvement – Moderate Risk

Based on the results of our audit, we found IAF is generally well managed, with no evidence of fraud or material misappropriation, misreporting, or waste. However, some deviations from policy and opportunities for improvement were noted. These items are not considered high-risk when evaluated collectively.

In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, use the attached action plan template to 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.

### **Repeat Findings from Prior Audit:**

Prior audit dated September 20, 2022, was conducted for audit period July 1, 2019, to June 30, 2022; with an Action Plan dated October 20, 2022. One prior audit finding remains unresolved from the previous audit.

**Finding 1 [High-Risk]:** Cash receipts and checks were not properly handled or controlled.

The school must follow *MCPS Financial Manual*, chapter 7, Cash Control of School Funds, to handle cash receipts and checks. In our sample of receipts, we found that some sponsors were holding funds collected rather than remitting them to the secretary on a daily basis. We also noted at times funds were held by sponsors over weekends and holidays.

We recommend that all funds collected must be remitted to the secretary daily and entered into the accounting software to minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs. We also recommend that all remittances on hand must be deposited promptly, and always before each weekend, end of the month, or holiday as infrequent

deposits increase the possibility of a loss of funds, diminish the school's ability to fund activities, and are contrary to the *MCPS Financial Manual*.

### **New Findings and Recommendations:**

**Finding 1 [High-Risk]:** We found that MCPS Form 280-49A, *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF)* had not been completed for all payments to independent contractors during our audit period.

Independent contractors or consultants working in schools must comply with all laws and MCPS requirements set forth in the *Procurement Manual*. MCPS Form 280-49A is used to document authorization/approval for all consultant/independent contractor services paid with IAF.

We recommend that the project manager initiate MCPS Form 280-49A to document the authorization and approval to pay a consultant/independent contractor with IAF (refer to *MCPS Financial Manual*, chapter 15, page 2).

### **Exit Conference:**

At our December 22, 2025, exit conference with Ms. Laura M. Swerdzewski, principal, and Ms. Bernadette Freeman, school administrative secretary, we reviewed the prior audit report dated September 20, 2022, and the status of the present conditions. You received a detailed report outlining each finding, best practices, and other areas for improvement. This audit report presents the findings and recommendations resulting from our examination of the IAF records and financial accounts for the school for the period designated.

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

MAP:AMB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. Taylor

Mrs. Alfonso-Windsor

Ms. McGuire

Dr. Moran

Ms. Seabrook

Dr. Campbell

Mr. Francois

Mrs. Chen

Dr. Murray

Mrs. Ripoli

Mr. Santos Rodriguez

Ms. Webb

**FINANCIAL MANAGEMENT ACTION PLAN**

<b>Report Date:</b>	<b>Fiscal Year:</b>
<b>School or Office Name:</b>	<b>Principal:</b>
<b>DSLI Associate Superintendent:</b>	<b>DSLI Director:</b>
<p><b><u>Strategic Improvement Focus:</u></b>          As noted in the financial audit for the period _____, strategic improvements are required in the following business processes :</p>	

<b>Action Steps</b>	<b>Person(s) Responsible</b>	<b>Resources Needed</b>	<b>Monitoring Tools / Data Points</b>	<b>Monitoring: Who &amp; When</b>	<b>Results/Evidence</b>

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

DIVISION OF SCHOOL LEADERSHIP AND IMPROVEMENT (DSL I)	
<input type="checkbox"/> <b>Approved</b>	<input type="checkbox"/> <b>Please revise and resubmit plan by</b> _____
Comments: _____ _____	
Director: <u>Alana D. Murray</u>	Date: _____