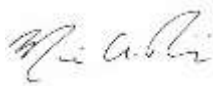


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 16, 2025

MEMORANDUM

To: Dr. Peter O. Moran, Chief of Schools, Division of School Leadership and Improvement
Mrs. Ivon Alfonso-Windsor, Chief Financial Officer, Division of Financial Management
Dr. Jeffrey K. Sullivan, Director, Department of Systemwide Athletics

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

Subject: Gaithersburg High School Food & Beverage Fundraising and Cash Management Practices

Executive Summary

On September 3, 2025, Melvin Phillips, supervisor, Internal Audit Unit, was notified by Jesse Griffin, investigation specialist, of a concern raised by the Principal of Gaithersburg High School that pizza was being sold by the slice to students during lunch periods for cash, outside of the school's Independent Activity Fund (IAF) accounting system.

The Internal Audit Unit (IAU) conducted an onsite visit to the Athletic Director's (AD) office and discovered \$1,201 in cash, including eleven \$100 bills, inadequately stored in a safe inside of a cabinet. Follow-up inquiries confirmed that pizzas and beverages were purchased weekly in cash from Manhattan Pizza & Pasta, Sam's club, and Giant, then sold to students for cash, and the proceeds handed directly to the AD.

Internal Audit confirmed this longstanding, unapproved pizza sales program at Gaithersburg High School (GHS) that generated up to an estimated \$100,000 annually in cash sales, based on estimates of up to 30 pizzas sold per day at an average of \$2.50 per slice. However, funds were not recorded in School Funds Online (SFO) nor deposited into the school's official IAF account in accordance with MCPS regulations. Instead, proceeds were inconsistently placed into the AD's safe, infrequently deposited into the IAF, and diverted to the booster club's Sandy Spring Bank account, outside MCPS financial control. Funds were also spent directly in cash on vendors and school activities without receipts, reconciliation, or oversight.

These practices represent material violations of Montgomery County Public Schools (MCPS) Financial Manual, Procurement Manual, fundraising regulations (CND-RA), High School Athletics Handbook, and nutrition/wellness standards (JPG-RA). Weak internal controls and lack of oversight allowed this practice to persist for more than a decade, creating a high risk of misappropriation, financial misstatement, and reputational harm to MCPS.

Independent Activity Funds

Independent Activity Funds (IAF) are an essential element of MCPS' financial ecosystem. These funds are classified as non-appropriated, meaning they are not part of the official county budget approved by the Montgomery County Council. Instead, they represent money collected and managed at the school level, held in trust for the benefit of students, and governed by MCPS regulations. The funds can originate from a variety of approved sources: fees, donations, fundraising events, booster club contributions, and sales of items or services.

IAF funds are public funds in the sense that they are entrusted to school officials to support students and school programs. IAF funds must be safeguarded with rigor. MCPS has codified this responsibility in the *MCPS Financial Manual*, which requires adherence to strict accounting standards, segregation of duties, and oversight by both the principal, the Division of Financial Management, and the Internal Audit Unit.

The principal serves as the custodian of the IAF, and ultimately responsible for ensuring compliance with policy. The school business administrator (SBA) and school financial specialist (SFS) is typically delegated the day-to-day recordkeeping and financial management. Athletic directors and activity sponsors may initiate transactions but must follow established cash handling procedures, preapproved purchase requests, and timely processing of receipts and invoices.

Gaithersburg High School

Gaithersburg High School (GHS), located in the central part of Montgomery County, serves a diverse student body. Like many large high schools, it faces pressures to fund athletic programs, extracurricular activities, and facility enhancements beyond what the appropriated budget provides. In this context, fundraising through IAF becomes a critical resource.

According to staff testimony, GHS began selling pizza slices to students during lunch periods around 2014. The sales were informal in origin, designed to fund the purchase of weight room equipment. Over time, the practice became institutionalized, occurring daily and generating significant revenue. Staff approximate 15-30 pizzas sold per day. Slices were sold for \$3 per slice or \$5 for two slices. When the AD became Acting AD in September 2022, he inherited the program as an ongoing practice. By his own admission, it was never explained in detail, he simply assumed it was authorized since it had been happening for nearly a decade.

Findings

Finding 1: Improper Handling of Independent Activity Fund (IAF) Revenue

Internal Audit's review of the pizza sales program at GHS revealed serious deficiencies in financial management, accountability, and compliance with Board of Education (Board) policies and MCPS

regulations. The most significant issue was the improper handling of IAF revenue. Pizza sales, estimated at more than \$100,000 annually, were conducted during lunch periods but were not receipted in SFO nor deposited intact into the school's official IAF account at PNC Bank. Instead, proceeds were collected in cash by staff and turned over to the AD, where they were kept in a safe, partially deposited into IAF accounts, or directed to the booster club's Sandy Spring Bank account. This diversion of school-day revenues outside of the IAF represents a fundamental violation of MCPS financial procedures and MCPS Regulation CND-RA, *School-Related Fund-Raising*. This undermines transparency and accountability.

In addition to pizza, auditors confirmed that beverages were regularly sold alongside lunch sales. According to staff interviews, Gatorade was sold at \$2 per bottle, and soda and bottled water at \$1 each, purchased using a Sam's Club card associated with the booster club. Assuming that on average 40 beverages were sold per day (20 Gatorades and 20 sodas/waters), daily beverage sales would generate approximately \$60 in gross revenue. Over a standard 180-day school year, this equates to an estimated \$10,800 in beverage revenue, with profits likely in the range of \$4,000–\$5,000 after cost of goods. No receipts, sales records, or deposits were identified for beverage sales, and staff confirmed that funds were turned over to the AD along with pizza proceeds. The absence of accounting for this revenue source further increases the volume of unrecorded funds and highlights the lack of financial oversight for all components of the lunch-time sales program.

Finding 2: Unauthorized Bank Account Use

Auditors found evidence of unauthorized bank account use. Deposit slips for a Sandy Spring Bank account ending in #1401, which the Internal Audit Unit confirmed belongs to the GHS Trojan Booster Club, were discovered in the AD's office. The AD and the Booster Club officers confirmed that funds were directed to the Booster Club bank account. \$22,000 in pizza proceeds were deposited into this account during Fiscal Year (FY) 2025. The deposits were infrequent and irregular. The use of non-IAF accounts for school-sponsored activities is explicitly prohibited by MCPS Regulation CND-RA. This practice not only placed funds outside of MCPS oversight but also commingled them with booster club revenues, further obscuring their ultimate use.

Finding 3: Improper Booster Club Affiliation

The role of the booster club in this arrangement added further complications. Booster club officers confirmed that the AD deposited funds into their Sandy Spring Bank account and then requested purchases of athletic items, often after large deposits were made. The boosters had no role in running pizza sales directly, but effectively became a pass-through for funds that should have been deposited into the IAF. Booster officers were unfamiliar with IAF requirements and stated that they did not question the AD about deposits. The booster club did not maintain a current constitution on file with the principal, did not provide annual financial statements for review, and lacked oversight from a school representative at its meetings. Booster contributions were not clearly documented to demonstrate equitable support across all sports programs.

Finding 4: Weak Internal Controls Over Cash

Auditors further observed serious weaknesses in internal controls over cash handling. Cash from sales was stored in a safe inside a cabinet, but both the cabinet key and the safe key were left unsecured, allowing ready access. No segregation of duties or dual custody was maintained, and no receipts, logs, or reconciliations, were kept. Staff, including physical education teachers and a media services technician, reported that they assisted in selling pizza and collecting money, with the proceeds handed directly to the AD in blue cash pouches. The lack of documented controls and oversight exposed the school to an unacceptably high risk of theft, loss, or fraud.

Internal Audit also noted the infrequency and irregularity of deposits, which is inconsistent with MCPS requirements that daily sales collections be deposited promptly and intact into the IAF. Review of FY 2025 records showed only sporadic deposits attributed to the AD, seven deposits totaling \$7,395, and six booster club deposits of \$22,000 made in lump sums of \$5,000 or \$1,000 at a time. Given that pizza sales generated up to an estimated \$600 per day, the volume of cash retained on-site far exceeded what was reported. The deposit pattern, large gaps between transactions, round-number amounts, and the absence of daily receipts, strongly suggests that most sales proceeds were not deposited into authorized accounts. This practice not only violated cash handling standards but also increased the risk of funds being lost, misappropriated, or used for unauthorized purposes.

Finding 5: Noncompliance with MCPS Procurement Regulations

The review also determined that the program was in noncompliance with MCPS procurement regulations. Annual purchases of pizza from Manhattan Pizza & Pasta exceeded \$25,000, which requires a competitive bid process managed through the Division of Procurement. No evidence of competitive bidding, contracts, or formal approval was provided. Instead, pizzas were purchased informally and paid for in cash, often directly from daily sales proceeds. These improper cash disbursements violate MCPS requirements that all vendor payments be processed through SFO via purchase order or check, supported by appropriate documentation. The absence of a legitimate procurement process raises concerns about cost effectiveness, fairness, and compliance with state and district purchasing rules.

Finding 6: Noncompliance with Wellness and Nutrition Regulations

In addition to financial violations, the program also created compliance issues with MCPS wellness and nutrition policies. MCPS Regulation JPG-RA, *Wellness: Physical and Nutritional Health*, prohibits the sale of non-compliant competitive foods during the instructional day. Principals and staff acknowledged that pizza sales directly competed with the school lunch program. Foods and beverages available to students outside of the school meals program, including but not limited to the à la carte cafeteria program, school stores, athletic departments, fund-raising activities, and vending machines operational during the instructional day must meet the USDA

“Smart Snacks” standards and the Maryland Nutrition Standards for all foods sold in school. The USDA “Smart Snacks” standards and the Maryland Nutrition Standards are in effect from 12:01 am until 30 minutes after the end of an instructional day.

Finding 7: Fundraising During the Instructional Day

MCPS Regulation CND-RA restricts fundraising during the instructional day. In practice, the pizza sales occurred during the lunch period and were staffed by MCPS employees, including physical education teachers, in direct violation of these requirements. School staff reported that the fundraising occurred daily and typically sold out within 10–15 minutes. Staff participation in the sales began prior to the current AD’s tenure. No staff members recalled being formally directed to assist; rather, their involvement was understood to be voluntary.

Finding 8: Lack of Sales Tax Reporting and Remittance

Maryland law requires that sales tax be collected and remitted on the retail sale of taxable goods, including beverages such as soda, sports drinks, and bottled water. MCPS financial procedures require schools to comply with all applicable state tax laws when conducting fundraising or resale activities. Beverages were sold daily. Beverages were purchased using a booster club Sam’s Club card and resold to students for \$1 to \$2 each. Internal Audit found no evidence of tax reporting or remittance to the State of Maryland. Based on staff estimates of 40 beverages sold per day at an average price of \$1.50, beverage sales generated approximately \$10,800 annually, of which an estimated \$648 (6 percent) in sales tax was neither collected nor remitted.

Athletic Director Response

The AD explained that when he became Acting AD at GHS in September 2022, pizza sales were already long established, dating back to 2014, and he assumed they had been approved since they had been in place for nearly a decade. He noted that the sales generated significant revenue that allowed the school to enhance athletic programs, provide equipment and uniforms, improve facilities, fund security and building service support at events, and even assist students in need of food. The AD also highlighted the engagement of the special education population in supporting the sales. He provided a detailed narrative of benefits but did not submit receipts or invoices that could materially substantiate the expenditures.

The AD noted that daily sales averaged between 6–22 pizzas, depending on the day, and acknowledged that he personally exchanged smaller bills for larger denominations to simplify cash handling. He also indicated that he could not provide purchase records for the pizzas, stating he did not personally handle ordering or vendor payments. He attested that as many as five staff members had access to cash.

In closing, he stressed that pizza sales were a well-known tradition at GHS, believed to be in the best interests of students and the school, and that he is committed to learning more to ensure compliance with MCPS regulations while continuing to serve students effectively in his role as AD.

Summary of Other Staff Reports

Across all interviews and evidence, several common themes emerged that point to systemic weaknesses in financial management at GHS. Staff consistently described the pizza sales program as a longstanding and normalized practice that had been in place for more than a decade, predating the current AD. Because it was so ingrained in school culture, none questioned its legitimacy. Staff stated sales proceeds were collected in pouches, handed to the AD, and stored in a safe in the AD's office. No logs or reconciliations were maintained. Transparency around the use of funds was equally lacking, with staff offering conflicting accounts that ranged from supporting athletics to funding coat drives, staff appreciation events, and other school needs, all without documentation.

The booster club also played a significant role, functioning as an informal conduit for revenue. Multiple witnesses established that the AD deposited proceeds into the booster club's bank account and then requested purchases, effectively routing funds outside the IAF. Booster officers did not challenge the arrangement, as they were unfamiliar with IAF policies and procedures.

Although staff participation in pizza sales was described as voluntary and limited to 10–15 minutes at lunch, their involvement was essential to the program's operation and occurred without proper authorization. Oversight from leadership was minimal at every level. The Principal assumed the funds were in SFO until she saw no change in athletic account balances, the SBA admitted she was told not to monitor the activity. The SBA was not specific on who directed her not to monitor the activity. District athletics staff acknowledged awareness of pizza sales but assumed compliance. Ultimately, the persistence of the program reflected a culture of complacency, where staff trusted the AD to manage funds and accepted noncompliance simply because "it had always been done this way."

Recommendations

The Department of Systemwide Athletics should also take proactive steps to ensure compliance and transparency across all schools. Athletic directors should be required to complete recurring compliance training on fundraising, procurement, booster club involvement, and cash handling. The department should conduct a districtwide review of athletic fundraising, verifying that all proceeds are deposited into IAF accounts and that booster contributions are documented and equitably distributed across sports programs in compliance with Title IX. All athletic fundraising proceeds must be managed under dual custody and deposited into the IAF immediately.

The Department of Systemwide Athletics should also provide recurring booster club training to clarify roles, the separation of funds, and the requirement for principal oversight and approval of booster activities.

Principals and booster club officers should adhere to the MCPS High School Athletics Handbook to ensure that booster clubs fully comply with MCPS standards for structure, authorization, and equity. Specifically, the booster club must operate only with principal approval and within systemwide guidelines. A formal constitution should be adopted and submitted to the principal that clearly defines the club's structure, purpose, election process, financial accounting practices, and operating guidelines. This should be submitted to the principal on an annual basis.

The booster club should clarify whether it functions as an athletic booster club (supporting all athletics programs) or an all-school booster club (supporting athletics and other sanctioned groups). Under either model, the club must provide support in a manner that is equitable across all school-sanctioned teams and compliant with Title IX and Maryland Public Secondary Schools Athletics Association (MPSSAA) regulations. Auxiliary support groups for individual teams may exist only under the umbrella of the larger booster club, with explicit principal permission, and must funnel all funds and activities through the primary booster club.

In addition, the booster club should be required to include a school representative at all meetings and maintain regular communication with the principal and athletic director. All fundraising activities, deposits, and expenditures must be transparent, documented, and approved. This includes providing the principal with annual financial statements, reconciliations, and copies of bank records to demonstrate accountability.

Additionally, booster clubs should receive recurring training from MCPS Athletics and the school administration on the systemwide standards for equity, financial accountability, and separation of booster funds from IAF funds. Booster officers must also be made explicitly aware that school-day sales revenue (e.g., school store snacks sold at lunch) cannot be deposited into booster accounts and must instead be handled through the school's IAF as required by MCPS financial regulations.

Internal Audit recommends that the Chief of the Division of School Leadership and Improvement (DSLII) strengthen oversight of fundraising and financial practices at the school level. To reinforce accountability, DSLII should establish a standard monitoring process under which cluster directors review IAF activity, booster club interactions, and cash handling practices at least annually. These reviews should include financial compliance checkpoints during routine school visits, with principals held accountable for maintaining segregation of duties and prohibiting staff participation in fundraising during instructional time.

The Chief Financial Officer (CFO), should issue systemwide guidance clarifying that all school-day fundraising proceeds must be deposited into the IAF and prohibiting the use of booster club accounts for student-generated funds. The CFO should oversee the development of a recurring

compliance certification process requiring principals and school business administrators to confirm that all fundraising revenues are receipted in SFO and deposited intact into IAF accounts.

Summary of Findings and Recommendations

Taken together, these findings demonstrate a systemic breakdown of financial management and compliance controls at GHS. Pizza sales revenue was generated and managed outside of required systems, expenditures were made without authorization or documentation, and funds were diverted into accounts beyond MCPS oversight. Weak internal controls, combined with long-standing acceptance of informal practices, created an environment in which financial misstatement and misappropriation were highly likely.

The long-standing pizza sales program, revealed both the potential and the pitfalls of school-level fundraising. On one hand, the program undeniably generated significant revenue, enabling the purchase of equipment, sports uniforms, security officers, and facility enhancements that benefitted many students and staff. On the other hand, the program operated outside of MCPS regulations, lacked documentation, and exposed the school and district to unacceptable risks.

The findings of this audit are not isolated. They reflect systemic issues that can arise whenever informal practices become normalized over time. It demonstrates how quickly informal practices can diverge from policy, how gaps in oversight can persist for years, and how difficult it becomes to unwind traditions once they are entrenched. At GHS, the pizza sales began as a seemingly harmless initiative to fund weight room equipment in 2014. Because it continued without challenge or oversight, it grew into a daily routine that generated hundreds of thousands of dollars. With each passing year, the practice appeared more legitimate simply because it persisted. Staff who inherited the program, like the current AD, assumed it was authorized because it had always been there.

The GHS pizza sales represent a failure of alignment with the MCPS' strategic plan which emphasizes student wellness, equity, and accountability. Selling pizza daily during school hours, in violation of wellness regulation, created a direct conflict with those values. Even if the funds supported athletics, the method undercut MCPS' commitment to student health. Equity was also compromised: schools that complied with wellness rules raised less revenue, while GHS gained a competitive advantage.

MCPS should issue district-wide guidance to principals and school staff reinforcing the policies and regulations most relevant to this case, wellness compliance, vendor agreements, documentation standards, cash-handling protocols, booster club relations, and the fundraising approval process.

The Internal Audit Unit will continue to monitor corrective actions at GHS and expand review procedures to identify whether similar off-book fundraising programs exist elsewhere.

Dr. Peter O. Moran
Mrs. Ivon Alfonso-Windsor
Dr. Jeffrey K. Sullivan

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December 16, 2025

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