Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

May 20, 2026

MEMORANDUM

To: Mr. Pedro R. Cedeno, Principal
Captain James E. Daly Jr. Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2023, through March 31, 2026

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

Captain James E. Daly Jr. Elementary School is located in Germantown, Maryland and is part of the Watkins Mill cluster. At the time of this audit, Captain James E. Daly Jr. ES reported total IAF assets of $54,064. Of this balance, $26,034 is in the Centralized Investment Fund (CIF), which pays a 2.77 percent annual interest rate. The school received annual commissions from the Interagency Coordinating Board (ICB), student pictures, and cell tower.

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 that the 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.

New Findings and Recommendations:

Finding 1 [Moderate Risk]: Cleared checks were not included in the bank reconciliation documents.

The principal should have electronic access to cleared checks through the bank's online banking capacity in order to identify the payee on any questionable check, and to save/print the monthly bank statement if the school uses online banking exclusively (*MCPS Financial Manual*, chapter 20, page 9). We noted on several occasions that the school did not have copies of cleared checks on file.

We recommend that the school obtain a copy of the cleared checks for every month and include this document with the other bank reconciliation documents. The principal should also review them to ensure that there are no fraudulent checks.

Finding 2 [Moderate Risk]: Purchase card activity did not comply with the *MCPS Purchasing Card User's Guide.*

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card User's Guide*. By the fifth business day of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements, or the statement of account landscape report, must be printed and provided to the principal, with all purchase receipts and invoices attached. The principal must review each cardholder's transactions and approve them by the 10th of the following month, using the online reconciliation program. We found that the secretary had not consistently prepared her monthly statements, provided descriptions of items purchased, indicated IAF account numbers when required, nor attached their purchase receipts. We also noted that the principal had approved transactions in the online system prior to receiving any of the monthly statement of account landscape reports with their related purchase receipts attached.

We recommend that all cardholders provide the approver with a copy of the monthly statement of landscape report with corresponding receipts. In addition, we recommend that transactions are never approved in the online system without first reviewing the statement of account landscape with corresponding receipts attached.

Exit Conference:

At our April 22, 2026, exit conference with Mr. Pedro R. Cedeno, principal, and Ms. Laurie J. Wilson, school administrative secretary, we reviewed the prior audit report dated February 23, 2023, 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 Mr. David W. Adams, 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
Mr. Adams
Mrs. Ripoli
Mr. Santos Rodriguez
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: May 20, 2026	**Fiscal Year:** FY26
School or Office Name: Captain James E. Daly, Jr. ES	**Principal:** Mr. Pedro Cedeño
DSLI **Associate Superintendent:** Dr. Tamitha Campbell	**DSLI** **Director:** Mr. David Adams

Strategic Improvement Focus:

As noted in the financial audit for the period 1/1/23-3/31/26, strategic improvements are required in the following business processes :

bank reconciliation documentation and purchasing card reconciliation procedures. Corrective actions have already been implemented and will continue to be monitored.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Continue maintaining copies of all cleared checks from the bank's online banking system with monthly bank reconciliation documents in accordance with MCPS Financial Manual requirements. Principal will continue reviewing cleared checks during the reconciliation process to verify accuracy and identify any irregularities.	Principal; Administrative Secretary	MCPS Financial Manual; Online banking access	Monthly bank reconciliation packets; Cleared check documentation	Principal and secretary monthly during reconciliation process	Procedures implemented beginning April 2026; complete reconciliation packets maintained with evidence of principal review
Continue ensuring all purchasing card transactions are reconciled in accordance with the MCPS Purchasing Card User's Guide, including attaching monthly statement of account landscape reports, receipts/invoices, descriptions of purchases, and applicable IAF account information prior to submission for approval.	Administrative Secretary	MCPS Purchasing Card User's Guide	Monthly purchasing card reconciliation packets; Attached receipts and supporting documentation	Secretary prepares monthly; Principal reviews by the 10th of each month	Procedures implemented beginning April 2026; complete purchasing card documentation maintained for all transactions
Continue ensuring principal review of all supporting purchasing card documentation prior to approving transactions in the online reconciliation system. Transactions will not be approved until all required supporting documentation has been reviewed for compliance with MCPS procedures.	Principal	Online reconciliation system; MCPS Purchasing Card User's Guide	Online approval records; Monthly purchasing card packets	Principal monthly during approval cycle	Monthly compliance monitoring in place; evidence of compliant approval procedures and complete supporting documentation
Continue reviewing MCPS financial procedures and audit expectations with staff responsible for Independent Activity Funds and purchasing card processes to reinforce compliance with established MCPS regulations and timelines.	Principal; Administrative Secretary	MCPS Financial Manual; Purchasing Card User Guide	Meeting notes; Compliance monitoring through monthly reviews	Principal at beginning of school year and ongoing as needed	Ongoing reinforcement of MCPS financial procedures and expectations

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Continue maintaining organized financial records and supporting documentation for all reconciliation and purchasing card processes to ensure audit readiness and ongoing compliance with MCPS requirements.	Administrative Secretary	Electronic and physical financial records	Monthly financial documentation; Audit support files	Ongoing monthly monitoring by principal and secretary	Organized and complete financial records available for review

DIVISION OF SCHOOL LEADERSHIP AND IMPROVEMENT (DSLI)

☑ **Approved** ☐ **Please revise and resubmit plan by** ______________

Comments:

Director: ____________________ Date: 7/1/26