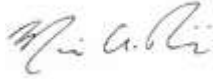


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

April 28, 2026

MEMORANDUM

To: Mrs. April D. Longest, Principal
Farmland Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
August 1, 2022, through February 28, 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

Farmland ES is located in Rockville, Maryland and is part of the Walter Johnson cluster. At the time of this audit, Farmland ES reported total IAF assets of \$39,928. Of this balance, \$19,590 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) 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 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.

Repeat Findings from Prior Audit:

Prior audit dated October 31, 2022, was conducted for audit period September 1, 2019, to July 31, 2022; with an action plan dated November 22, 2022. Three prior audit findings remain 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 your action plan, you stated that sponsors would submit cash/checks collected on a daily basis using MCPS Form 280-34, *Independent Activity (IAF) Remittance Slip*, and the administrative secretary (secretary) would make same day deposits. In our sample of receipts, we found instances in which funds were held by sponsors over weekends

and holidays rather than being remitted on a daily basis to the secretary, and the secretary did not consistently make timely deposits.

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*.

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. In your action plan, you stated that the principal and secretary would use their purchasing cards in compliance with the *MCPS Purchasing Card User's Guide*. We found that the secretary had not 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.

Finding 3 [High-Risk]: Purchases were not properly handled or controlled.

The school must follow *MCPS Financial Manual*, chapter 20, *Disbursement of IAF Funds*, for all purchases. MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase. The purpose of each disbursement must be fully explained on this form to properly record expenditures in appropriate accounts and to ensure that expenditures comply with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. The secretary will then mark the documentation as "paid" prior to disbursing the funds. In your action plan, you would approve Form 280-54 prior to an intended purchase. Invoices for goods or services would be signed by the purchaser to indicate satisfactory receipt and given to the secretary, and she will mark them "paid". In our sample of disbursements, we found that a few sponsors initiated purchase transactions prior to receiving the principal's written approval. In other transactions, invoices and receipts were not

consistently stamped "paid" or marked "received" and initialed by the recipient. Also, purchase transactions were not consistently supported by an original invoice or receipt.

We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditure and signed by the principal at the time verbal approval is sought. We also recommend that all support documents be marked "paid", and when goods are received at the school that the purchase be verified as complete by the recipient and that the invoice/packing slip be marked "received" and signed/dated by the recipient. Requiring invoices to be marked "received" ensures that goods or services have been satisfactorily received prior to payment.

Exit Conference:

At our April 13, 2026, exit conference with Mrs. April D. Longest, principal, and Mrs. Theresa T. Harrison, school administrative secretary, we reviewed the prior audit report dated October 31, 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. Eugenia S. Dawson, 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
Mr. Francois
Dr. Jones
Mrs. Chen
Dr. Dawson
Mrs. Ripoli
Mr. Santos Rodriguez
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

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

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"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director: <u> <i>Eugenia S. Dawson</i> </u>	Date: _____