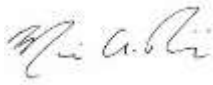


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

March 18, 2026

MEMORANDUM

To: Mrs. Angelica Rivas-Smith, Principal  
William H. Farquhar Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
September 1, 2023, through September 30, 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

William H. Farquhar Middle School is located in Olney, Maryland, serving grades 6, 7, and 8. Farquhar MS is part of the Northeast Consortium; the school has a split articulation, meaning some students feed into multiple high schools in the same or different clusters. During the audit period, the school received annual commissions from the Interagency Coordinating Board (ICB), student pictures, cell tower, and community donations to support student initiatives and activities. At the time of this audit, Farquhar MS reported total IAF assets of \$77,895. Of this balance, \$45,681 is in the Centralized Investment Fund (CIF), which pays an annual interest rate of 3.28 percent. For the fiscal year ending June 30, 2025, the school reported total receipts of \$120,530 and total disbursements of \$110,145, resulting in a surplus of \$10,385.

**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; instead, it 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 noted 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*, 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.

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

**Finding 1 [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 an inflatable obstacle course and basketball hoops. 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.

**Exit Conference:**

At our November 12, 2025, exit conference with Mrs. Angelica Rivas-Smith, principal, and Mrs. Dawn Trahern, school financial specialist, we reviewed the prior audit report dated November 21, 2023, and the status of the current conditions. We discussed that the IAF funds were generally well-managed, with effective oversight of field trips, fundraisers, and the receipt and disbursement of funds, ensuring compliance with Board policies and MCPS regulations and procedures, with only minor inconsistencies noted.

You received a comprehensive report outlining each finding, best practices, and items not reportable in the audit. This audit report presents the findings and recommendations from our examination of the IAF records and financial accounts for the school for the designated period.

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. Jeanie 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:LMB:rg

Attachment

Copy to:

Members of the Board of Education  
Dr. Taylor  
Mrs. Alfonso-Windsor  
Ms. McGuire  
Dr. Moran  
Ms. Seabrook  
Dr. Jones

Mr. Francois  
Mrs. Chen  
Dr.. Dawson  
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: _____ <i>Eugenia S. Dawson</i> _____	Date: _____