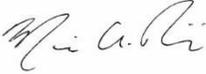


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 2, 2025

MEMORANDUM

To: Dr. Mary Jane Q. Ennis, Principal
Georgian Forest Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
June 1, 2022, 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

Georgian Forest ES is located in Silver Spring, Maryland, and is part of the Downcounty Consortium (DCC). Georgian Forest ES is a Title I and a Community School. MCPS Community Schools serve as hubs that provide students, families, and communities with essential wraparound services, ensuring equitable access to services and outcomes for all. Georgian Forest ES reported total IAF assets of \$9,028 as of September 30, 2025. Of this balance, \$6,148 is in the Centralized Investment Fund (CIF), which pays a 3.28 percent annual interest rate. For the fiscal year ended June 30, 2025, the school reported total receipts of \$20,587 and total disbursements of \$26,714. Fundraising efforts resulted in net proceeds of \$1,190. Field trip activities generated receipts of \$9,478 and disbursements of \$9,584, resulting in a deficit for the year which was offset by the carryover field trip balance accumulated from all school years. The school received annual commissions from the Interagency Coordinating Board (ICB), cell tower, 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 (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 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:

Unsatisfactory – High Risk

Based on the results of our audit, we identified some deficiencies in internal controls and financial management practices that create a high risk of fraud, material misappropriation, misreporting, or waste within the school's IAF. The issues observed were pervasive and indicated that the school is not in compliance with MCPS regulations and procedures.

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 June 30, 2022, was conducted for audit period July 1, 2019, to May 31, 2022; with an Action Plan dated July 7, 2022. The below findings remain unresolved from the previous audit.

Finding 1 [Moderate-Risk]: Monthly account history reports were not provided to sponsors to affirm transaction correctness.

The school must follow *MCPS Financial Manual*, chapter 20, Independent Activity Funds, Sponsor Records and Reports (20-10). In our sample of monthly sponsor reports, we found no evidence that the sponsors except for the principal were provided monthly account history reports, and the administrative secretary (secretary) did not have a control nor process in place for disbursing, collection and maintaining monthly account records.

We recommend that the secretary provide sponsors with a report for each month in which any transaction was recorded in that sponsor's IAF account, or the account has a balance. The sponsor will verify the report to ensure that the account activity is accurate and all transactions were authorized, and the ending monthly balance indicated on the report agrees with that of the sponsor's records. If the sponsor agrees with the monthly reported transactions and ending balance amounts, the sponsor will sign and date the report to indicate agreement and return a copy to the secretary within five days. If the sponsor disagrees with any transaction or amount on the report, they will immediately contact the secretary. The secretary should maintain a control (for example, a check-off list) to identify and follow up on those activity account reconciliation reports not returned by sponsors.

Finding 2 [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 instances in which funds were held by sponsors rather than being remitted on a daily basis to the secretary and the secretary was not making timely deposits and some deposits were made several months late. We noted that the secretary was not verifying funds with sponsors when remitted. We also noted that the secretary took funds to the bank prior to recording in accounting software. In addition, we noted a pre-numbered receipt was not given to the person who remitted the funds.

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*. Lastly, we recommend that a pre-numbered receipt be given to the person who remitted the funds and the receipt number is added to the MCPS 280-34, *Remittance Form*..

New Findings and Recommendations:

Finding 1 [Moderate-Risk]: The procurement of goods and services did not always adhere to Board of Education policy, MCPS regulations and guidelines, and the *MCPS Procurement Manual*.

The procurement of goods and services must adhere to Board of Education policy, MCPS regulations and guidelines, and the *MCPS Procurement Manual*. In our sample of disbursements,

we found instances where purchase requests were not approved by the principal prior to procurement, and disbursement of IAF funds were not properly documented. We also noted instances in which controls over purchases were weakened including documentation supporting purchases were not always stamped or marked “paid”, and invoices and online purchase confirmations were not signed by the receiver to indicate goods or services were received, and that payment could be processed.

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 adequate documentation such as an original invoice, or itemized receipt is attached to support the procurement of the goods and services. 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. (Refer to *MCPS Financial Manual*, chapter 20, page 4-6).

Finding 2 [High-Risk]: 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 *MCPS 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).

Finding 3 [Low-Risk]: School does not have a sales tax account with the State of Maryland to remit sales tax collected to the Comptroller of Maryland.

The school must follow *MCPS Financial Manual*, chapter 18, Taxes, to collect and remit sales and use tax to the State of Maryland on the sales of all taxable merchandise. We noted sales from a clothing fundraiser and yearbook sales for which sales tax had not been collected and remitted to the State of Maryland.

To work toward full compliance for the collection and remittance of sales tax, school user must set up a user name and password at the Maryland Sales Tax Connect portal to file sales and use tax electronically. We also recommend that you track all taxable sales on a spreadsheet to assist in calculating the correct amount of sales tax that needs to be remitted to the State of Maryland Controller’s office.

Exit Conference:

At our November 10, 2025, exit conference with Dr. Mary Jane Q. Ennis, Principal and Mrs. Paloma M. Cabrera, school administrative secretary, we reviewed the prior audit report dated June 30, 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 **Unsatisfactory** status of your IAF audit, an action plan must be completed. Prior to returning your completed audit action plan, please contact Ms. Aricka R. Porter, director of school leadership and improvement, Division of School Leadership and Improvement, for written approval of your plan, based on the audit recommendations.

MAP:HT:rg

Attachment

Copy to:

Members of the Board of Education

Dr. Taylor

Mrs. Alfonso-Windsor

Ms. McGuire

Dr. Moran

Ms. Seabrook

Mr. Francois

Mr. McGee

Mrs. Chen

Mr. Mullenholz

Mrs. Ripoli

Mr. Santos Rodriguez

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 12/04/2025	Fiscal Year: 2025-2026
School or Office Name: Georgian Forest Elementary School	Principal: Dr. Jane Ennis
DSLI: Associate Superintendent: Mr. Sean McGee	DSLI: Director: Mr. Greg Mullenholz
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period June 1, 2022, through September 30, 2025, 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
<p><u>Finding 1 (Repeat):</u> Monthly account history reports will be provided to sponsors to affirm transaction correctness.</p> <ul style="list-style-type: none"> Admin secretary will <i>provide sponsors with a report for each month</i> in which any transaction was recorded in that sponsor’s IAF account, or the account has a balance. Admin secretary will <i>maintain a check-off list</i> to identify and follow up on those activity account reconciliation reports not returned by sponsors. 	Administrative Secretary	MCPS Financial Manual	MCPS Financial Manual, chapter 20, Independent Activity Funds, Sponsor Records and Reports (20-10)	- Administrative Secretary & Sponsors Monthly	Monthly statements will be signed and dated by the sponsors
<p><u>Finding 2 (Repeat):</u> Cash receipts and checks will be properly handled and controlled.</p> <ul style="list-style-type: none"> All <i>funds collected by sponsors will be remitted to the secretary daily and entered into the accounting software</i> prior to depositing funds to the bank. All <i>remittances on hand will be deposited promptly</i>, and always before each weekend, end of the month, or holiday. <i>Pre-numbered receipts will be given to the person</i> who remitted the funds. 	- Administrative Secretary - Sponsors	MCPS Financial Manual	MCPS Financial Manual, chapter 7, Cash Control of School Funds	- Administrative Secretary & Sponsors Daily	- Bank Deposits - Bank Statements - Reconciliation of Records

<p><u>Finding 1 (New):</u> The procurement of goods and services will adhere to Board of Education policy, MCPS regulations and guidelines, and the MCPS Procurement Manual.</p> <ul style="list-style-type: none"> • <i>MCPS Form 280-54 will be prepared by staff</i> with an estimate of expected expenditure and signed by the principal at the time verbal approval is sought. • Adequate documentation such as an <i>original invoice or itemized receipt</i> will be attached. • All support documents will be <i>marked "paid"</i>, and when goods are received at the school the invoice/packing slip be <i>marked "received"</i> and signed/dated by the recipient. 	<ul style="list-style-type: none"> - Administrative Secretary - Sponsors - Principal 	<p>MCPS Financial Manual</p>	<p>MCPS Financial Manual, chapter 20, page 4-6</p>	<ul style="list-style-type: none"> - Administrative Secretary, Sponsors, Principal Daily 	<p>MCPS Form 280-54 with prior approval and adequate documentation marked "paid" and "received"</p>
<p><u>Finding 2 (New):</u> MCPS Form 280-49A will be completed for all payments to independent contractors.</p> <ul style="list-style-type: none"> • Project manager will initiate <i>MCPS Form 280-49A to document the authorization and approval</i> to pay a consultant/independent contractor with IAF. 	<ul style="list-style-type: none"> - Administrative Secretary - Sponsor - Principal 	<p>MCPS Financial Manual</p>	<p>MCPS Financial Manual, chapter 15, page 2</p>	<ul style="list-style-type: none"> - Administrative Secretary, Sponsors, and Principal as in-house activities are requested 	<p>MCPS Form 280-49A signed and verified by procurement unit</p>

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<p><u>Finding 3 (New):</u> School will create a sales tax account with the State of Maryland to remit sales tax collected to the Comptroller of Maryland.</p> <ul style="list-style-type: none"> • <i>Taxable sales will be tracked on a spreadsheet</i> to assist in calculating the correct amount of sales tax that needs to be remitted to the State of Maryland Controller's office. 	<ul style="list-style-type: none"> - Administrative Secretary - Principal 	<p>MCPS Financial Manual</p>	<p>MCPS Financial Manual, chapter 18, Taxes</p>	<ul style="list-style-type: none"> - Administrative secretary and principal when selling taxable merchandise (yearbooks and clothing) 	<ul style="list-style-type: none"> - Maryland Sales Tax Connect portal - Spreadsheet with calculations of sales tax to be remitted

