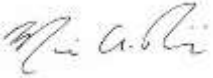


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

March 18, 2026

MEMORANDUM

To: Dr. Carole E. Rawlison, Principal
Harmony Hills Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2022, through December 31, 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

Harmony Hills Elementary School (HHES) is part of the Downcounty Consortium located in Silver Spring. HHES serves over 600 students ranging from Pre-K to grade 5. HHES is a Community and Title I school. Community schools provide comprehensive services such as health, mental health, social services and community education/development and receive additional staffing to support the school and help implement the services. These positions include a Community School Liaison, a Wellness Trainer and a Parent Community Coordinator. The school received funds from both community schools and outside organizations that were used to cover the cost of transportation for a few field trips. For those field trips, the students did not need to pay. At the time of this audit, HHES reported total IAF assets of \$55,707. Of this balance, \$47,677 is in the Centralized Investment Fund (CIF), which pays a 3.28 percent annual interest rate. The school received annual commissions from the Interagency Coordinating Board (ICB) and Student Pictures. In addition, the school currently has grant funds totaling \$13,722 and donations totaling \$12,511. These funds are part of the overall balance in the IAF.

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:

Moderate Risk- Needs Improvement

Based on our audit results, we found that IAF is generally well managed, with no evidence of fraud, 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 response approved by school director written response 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 two separate 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]: The principal did not sign several checks.

According to the *MCPS Financial Manual*, chapter 20, all checks issued will bear two signatures, one of which must be that of the principal except when the principal is absent or the check is made payable to them. We noted that several checks were signed by both secretaries.

We recommend that all checks be signed by the principal. The delegation memo on file does designate the assistant principal to sign on behalf of the principal in her absence.

Finding 3 [Moderate Risk]: The principal did not approve purchase requests in writing prior to the procurement of goods or services.

Schools must follow the *MCPS Financial Manual*, chapter 20, *Independent Activity Funds*, to procure goods and services using IAF funds. In our sample of seven disbursements, we found that two of the MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, were not approved by the principal before the procurement of goods or services. In addition, we found seven requests that were not preapproved.

We recommend that staff obtain the principal's approval using MCPS Form 280-55, *Independent Activity Funds Request for Purchase of Goods or Services* before purchasing goods or services. If the sponsor is seeking immediate approval, they should have MCPS Form 280-55 prepared and obtain a signature at that time.

Finding 4 [High Risk]: Cash receipts were not properly handled or controlled.

The school must follow the *MCPS Financial Manual*, chapter 7, *Cash Control of School Funds*, to handle cash receipts and checks. We found two instances in which a sponsor held funds from bookfair sales rather than remitting them daily to the administrative secretary. In both instances the deposits were over \$6,000.

Infrequent deposits increase the risk of fund loss, diminish the school's ability to fund activities, and are contrary to the *MCPS Financial Manual*. To minimize the risk of loss and ensure available funds are fully utilized to meet school needs, we recommend that all funds collected be remitted to the administrative secretary the day the funds are collected.

Exit Conference:

At our March 10, 2026, exit conference with Dr. Carole E. Rawlison, principal, and Mrs. Marlene Pineda, administrative secretary, we reviewed the prior audit report dated January 30, 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 Dr. Joe L. Rubens, Jr., director of school leadership and improvement, Division of School Leadership and Improvement, for written approval of your plan. Based on the audit recommendations.

MAP:ABB: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

Mrs. Ripoli

Dr. Rubens

Mr. Santos Rodriguez

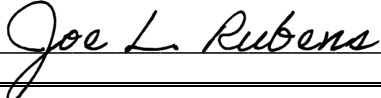
Ms. Webb

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: _____	 Date: _____