Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

September 15, 2025

MEMORANDUM

To: Mr. Raythorne L. Henderson Jr., Principal
Lake Seneca Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2022, through May 31, 2025

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. They are responsible for ensuring that the IAFs are administered in accordance with Board of Education policies and MCPS regulations and procedures.

The IAF audits are conducted regularly to evaluate compliance with policies, regulations, and procedures, and to review processes for continuous improvement. Generally accepted audit procedures guide the work of the auditors who examine samples of the IAF records and financial accounts selected from documentation of various activities to verify their accuracy, as well as to assess the effectiveness of financial control procedures. An IAF audit does not review every transaction or school activity but seeks to provide reasonable assurance that any significant errors or omissions in the financial records are detected.

At our August 18, 2025, meeting with you and Mrs. Marjorie N. Rutherford, school administrative secretary (secretary), we reviewed the prior audit report dated February 14, 2022, and the status of the present conditions. This audit report presents the findings and recommendations resulting from our examination of the IAF records and financial accounts for your school for the period designated above. It should be noted that the administrative secretary started on June 2, 2025.

Findings and Recommendations

Unless prohibited, a principal may delegate in writing, the authority to transact financial business to another individual. Any delegation impacting IAF actions shall be updated each fiscal year and filed in the school financial office (refer to the *MCPS Financial Manual*, chapter 20, page 4). Although we found no annually updated written delegation on file, we noted various documents signed by an assistant principal acting in the principal's absence. We recommend that the principal sign, at the beginning of each fiscal year, a memo designating an acting principal.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card Users 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 tenth of the following month, using the online reconciliation program. We found that the principal had not approved all transactions online. We recommend that action be taken to correct this condition and bring purchasing card usage into conformity with MCPS requirements

Documents supporting the IAF reports are part of the financial records and must be maintained in the school office and filed logically to be readily available for audit or other purposes. IAF records shall be retained for five years after the close of the year to which they apply and until all audit requirements have been met, whichever is longer, and then destroyed (refer to the *MCPS Financial Manual*, chapter 20, page 16). Our review disclosed that many financial records were misfiled and not available for reviews, such as bank statements, bank deposit slips, bank reconciliations, year-to-date reports, sponsor account monthly reports, deposit analysis, remittance slips, canceled check copies, and voided receipts. We recommend that IAF records be properly filed and retained to be available for audit.

Notice of Findings and Recommendations

- Written delegations of the principal's authority to transact IAF financial business, updated for each fiscal year, shall be filed with the IAF records; **(repeat)**
- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide*. **(repeat)**
- All receipt documentation should be filed in order and together.

Other matters were discussed and satisfactorily resolved. We appreciate the cooperation and assistance of your staff. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, using the attached action plan, please provide a written response to the Internal Audit Unit within 30 calendar days of this report. In your response, please share a detailed plan for addressing these issues, including appropriate staff training and support.

Prior to returning your completed audit action plan, please contact Mr. David Chia, director of school leadership and improvement, Division of School Leadership and Improvement, for written approval of your plan. Based on the audit recommendations, Mr. Chia will indicate whether he will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school administrative secretary to support you with developing a well-defined plan to address the findings.

MAP:ABB: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. Chia
Mrs. Ripoli
Mr. Santos Rodriguez
Ms. Webb

CLEAR FORM

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: September 15, 2025	**Fiscal Year:** September 15, 2025
School or Office Name: Lake Seneca Elementary - 108	**Principal:** RJ Henderson
OSSI Associate Superintendent: Dr. Tamitha Campbell	**OSSI Director:** David Chia

Strategic Improvement Focus:

As noted in the financial audit for the period 1/1/22 - 5/31/25, strategic improvements are required in the following business processes :

Governance and delegation of authority, Purchasing Card (P-card) controls and compliance, and records management

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Annual Delegation of Principal's Authority: Draft, sign, and file annual written delegation of authority memo naming acting principal for IAF transactions.	Principal	MCPS Financial Manual, Delegation of Authority template	Copy of memo on file each fiscal year; confirmation email to admin secretary and AP	Principal annually each July	Signed delegation memo placed in IAF binder
Annual Delegation of Principal's Authority: Review delegation memo with new administrative staff and include in annual opening-of-school checklist.	Principal & Admin Secretary	Opening of school checklist, staff handbook	Checklist completion; agenda/minutes from beginning-of-year meeting	Principal by August 15 annually	Documentation showing memo review during opening meetings
Purchasing Card Compliance: Set monthly deadlines; Cardholders reconcile by 3rd business day, secretary verifies by 5th, principal approves by 10th	Principal, Admin Secretary	MCPS Purchasing Card User Guide	Reconciliation timestamps	Principal, monthly	All P-card transactions approved in system by the 10th each month
Purchasing Card Compliance: Require receipts, invoices, and descriptions for every purchase;	Principal, Admin Secretary	Documentation checklist, receipt form	Missing documentation log	Admin Secretary weekly; monthly	Monthly packet fully filled with receipts, invoices, and statements

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
IAF Documents: Organize all IAF records (bank statements, deposits, reconciliations, reports, receipts) by month and fiscal year in a uniform structure.	Admin Secretary	Labeled folders; MCPS Financial manual	Filing checklist; Spot-check results	Principal monthly	Evident complete, chronological filing system accessible for audit
Generate and file monthly sponsor reports; review with principal; ensure sponsors receive account updates.	Admin Secretary; Principal	Monthly checklist	Sponsor report log; Copies of reports	Admin Secretary monthly; Principal monthly	Signed sponsor reports filed monthly

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

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

Comments: I support this plan.

Director: David Chia Date: November 16, 2025