


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

January 2, 2026

MEMORANDUM

To: Mrs. Brandi K. Overton, Principal
Dr. Martin Luther King Jr. Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
February 1, 2024, through October 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

Dr. Martin Luther King Jr. Middle School is located in Germantown, Maryland and is part of the Seneca Valley Cluster. Dr. Martin Luther King Jr. MS is a Community School. Dr. Martin Luther King Jr. MS reported total IAF assets of \$64,361 as of October 31, 2025. Of this balance, \$55,584 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 \$73,064 and total disbursements of \$69,550. Fundraising efforts resulted in net proceeds of \$4,715. Field trip activities generated receipts of \$49,071 and disbursements of \$56,656 which included \$10,225 transportation expenses paid in July 2025, 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) 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:

Needs Improvement – Moderate Risk

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.

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.

We recommend that MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, be prepared by staff with an estimate of expected expenditure and signed by the principal at the time verbal approval is sought. (Refer to *MCPS Financial Manual*, chapter 20, page 4-5)

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 *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).

Exit Conference:

At our November 25, 2025, exit conference with Mrs. Brandi K. Overton, Principal, and Ms. Denia M. Ramos, school financial specialist, we reviewed the prior audit report dated March 25, 2024, 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 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.

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

Dr. Campbell

Mrs. Chen

Mr. Chia

Mrs. Ripoli

Mr. Santos Rodriguez

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: January 2, 2026	Fiscal Year: 2026
School or Office Name: Dr. Martin Luther King, Jr. Middle School	Principal: Brandi K. Overton
DSLI Associate Superintendent: Dr. Tamatha Campbell	DSLI Director: David Chia
Strategic Improvement Focus: As noted in the financial audit for the period <u>2/1/24-10/31/25</u> , strategic improvements are required in the following business processes : The procurement of goods and services and authorization for consultant/independent contractor (vendor) services.	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
The school will indicate an estimated amount of funds needed when requesting or authorizing purchases.	-Financial Specialist -Staff -Principal	-Support documentation	Budget guide to assist w/ financial planning of requested purchases. Accessible via internal resource hub, MLK 101 & monthly financial support communications.	Financial Specialist: during time of submission. Principal: during time of approval.	
Create a checklist as guidance when authorization of consultant/independent contractor services is needed.	-Financial Specialist -Staff -Principal	-MCPS form 280-49a	Accessible via internal resource hub, MLK 101 & monthly financial support communications.	Financial Specialist: during time of submission. Principal: during time of approval.	

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DIVISION OF SCHOOL LEADERSHIP AND IMPROVEMENT (DSL)

☒ Approved ☐ Please revise and resubmit plan by _____

Comments: Thank you for addressing the audit findings and making appropriate changes with IAF practices.

Director:  Date: 1/8/2026