Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

May 20, 2026

MEMORANDUM

To: Mrs. Mindy D. Reeves, Principal
Rachel Carson Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2023, through February 28, 2026

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

Rachel Carson Elementary School (RCES) was founded in 1990 and is located in Gaithersburg, Maryland and is part of the Quince Orchard cluster. RCES serves grades Pre-K through 5th. The RCES Parent Teacher Association (PTA) actively supports student initiatives and school activities. During the audit period, the PTA contributed approximately $38,000 for expenditures not covered by the school's MCPS-allocated operating funds. The school also received annual commissions from the Interagency Coordinating Board (ICB) and student pictures to support student initiatives and activities. RCES reported total IAF assets of $38,588 as of February 28, 2026. Of this balance, $26,533 is in the Centralized Investment Fund (CIF), which pays a 2.77 percent annual interest rate. For the fiscal year ended June 30, 2025, the school reported total receipts of $38,707 and total disbursements of $37,533, resulting in a surplus of $1,174.

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

Based on the results of our audit, 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 [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 initiates 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 2 [Moderate-Risk] PTA account was not properly monitored and reconciled.

The PTA and the principal meet on a regular basis to review and approve proposed expenditures. Under the current arrangement, the school procures the items directly and subsequently submits requests to the PTA for reimbursement. During our testing, we identified instances where instructional materials were inadvertently double-funded. Specifically, purchases initially covered by the school's allocated funds were also submitted to and reimbursed by the PTA.

We recommend that the principal and administrative secretary implement a reconciliation process for the PTA account. This will ensure billing errors are identified promptly and prevent the unnecessary accumulation of funds. Additionally, the school should coordinate with the PTA leadership to rectify the identified overpayments.

Exit Conference:

At our April 15, 2026, exit conference with Mrs. Mindy D. Reeves, principal, and Mrs. Mary B. Foringer, school administrative secretary, we noted that in our report dated February 9, 2023, there were no conditions that required corrective action.

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. Michael J. Zarchin, 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
Dr. Campbell
Mr. Francois
Mrs. Chen
Mrs. Ripoli
Mr. Santos Rodriguez
Dr. Zarchin
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: May 20, 2026	**Fiscal Year:** FY27
School or Office Name: Rachel Carson Elementary School	**Principal:** Mrs. Mindy Reeves
DSLI Associate Superintendent: Dr. Tamitha Campbell	**DSLI Director:** Dr. Michael Zarchin

Strategic Improvement Focus:

As noted in the financial audit for the period 1/1/23-2/28/26, strategic improvements are required in the following business processes :

* improved documentation procedures for independent contractor payments
* reconciliation processes related to PTA reimbursements and school-funded expenditures

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Implement a process to ensure MCPS Form 280-55 is completed and approved prior to payment for consultant or independent contractor services paid with IAF funds. Maintain documentation for compliance monitoring.	Project Manager, Administrative Secretary, Principal	Form 280-55, MCPS Financial Manual ch. 15, page 2, vendor records	Review of vendor payment documentation and completed MCPS Form 280-49A forms	Quarterly	Completed MCPS Form 280-49A forms maintained with payment documentation
Maintain a tracking log of reimbursement requests and coordinate with PTA leadership to resolve discrepancies and overpayments. At this monthly meeting we will verify balances in all reimbursement accounts.	Principal and Administrative Secretary	PTA records, school financial records, reimbursement log	PTA reimbursement records, school financial records, reimbursement tracking log	Monthly with PTA, admin secretary, principal	Completed reconciliation logs and corrected reimbursement discrepancies
Attach invoices to checks for PTA purchases	Administrative secretary; PTA Treasurer	Invoices	Financial records	Monthly meetings with PTA, admin secretary, principal	All purchases will be matched to invoices
PTA items will not be purchased using the instructional materials account	Principal and Administrative Secretary	N/A	Requests for Purchase	Ongoing	No overpayments

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

DIVISION OF SCHOOL LEADERSHIP AND IMPROVEMENT (DSLI)
☐ **Approved** ☐ **Please revise and resubmit plan by _______________** Comments: Director: ______________________________ Date: 6/4/26