

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 6, 2025

MEMORANDUM

To: Mrs. Erin L. Martin, Principal
Takoma Park Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
June 1, 2023, through May 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

Takoma Park MS is located in Takoma Park, Maryland and is part of MCPS's Downcounty Consortium. As of June 30, 2025, Takoma Park MS reported total IAF assets of \$107,750, of which \$86,363 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 \$185,588 and total disbursements of \$182,828. Admission events (drama production, spring dance) generated revenues of \$11,568 and costs of \$8,200. Field trip activities in the school year 2025 generated receipts of \$119,335 and disbursements of \$113,423. The school receives 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 (BOE) 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 significant deficiencies in internal controls and financial management practices that create a high risk of fraud, material misappropriation, misreporting, or waste within the school's Independent Activity Fund (IAF). The issues observed were pervasive and indicate 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 September 1, 2023, was conducted for the audit period January 1, 2022, to May 31, 2023, with an action plan dated October 27, 2023. The following audit findings remain unresolved from the previous audit.

Finding 1 [High-Risk]: The month-end file did not include all monthly reports, and the reconciliations were not done timely.

Effective internal control includes the receipt and review by the principal in a timely manner of the ledger reports and the bank reconciliation report to determine the agreement between these reports, indicating accurate financial reporting and fiscal management of the IAFs. The bank reconciliation and monthly reports must be prepared and presented to the principal in a timely manner. The reports must be reviewed by the principal and checked for accuracy as part of the important month-end internal control process (refer to the *MCPS Financial Manual*, chapter 20, page 9)

We recommend that the financial specialist ensure all required monthly reports are included in the month-end file and that the bank reconciliation and related ledger reports are prepared, reviewed for accuracy, and submitted to the principal for timely review and approval each month

Finding 2 [High-Risk]: Monthly account history reports were not provided to sponsors for affirmation of transaction correctness and returned to the administrative secretary.

Sponsors of school activities that involve the collection or disbursement of IAF must be provided an account history report for each month in which transactions have been recorded in their account or the account has a balance. After any discrepancies are resolved, the statements must be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all statements are reviewed and returned (refer to the *MCPS Financial Manual*, chapter 20, Page 10).

We recommend that sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded.

Finding 3 [High-Risk]: Prior approval was not consistently obtained, MCPS Form 280-54 did not always contain all relevant information and signatures, and invoices and online purchase confirmations were not always signed by the receiver to indicate goods or services were received, and that payment could be processed.

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (refer to the *MCPS Financial Manual*, chapter 20, page 4). The purpose of each disbursement must be fully explained on this form to properly record expenditures in appropriate accounts and to ensure that expenditures comply with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. The secretary will then mark the documentation as “paid” prior to disbursing the funds. MCPS Form 280-54 must be completed in full by the sponsor, secretary, and principal to include the account name/number to be charged, the request date, the balance available in the account, and the signatures of the sponsor, secretary, and principal.

We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditure and signed/dated by the principal at the time verbal approval is sought. We also recommend that when goods are received at the school, 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.

Finding 4 [High-Risk]: In our sample of receipts, we found instances in which funds were held by sponsors rather than being remitted daily to the financial agent.

To properly control receipts, cash, and checks collected by sponsors for IAF activities must be remitted promptly and intact to the financial agent along with the MCPS Form 280-34, *MCPS Remittance Slip*. Cash must be counted in the presence of the remitter, and a receipt that is supported by the remittance slip must be issued promptly. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (refer to the *MCPS Financial Manual*, chapter 7, pages 4-5). To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected must be remitted daily to the financial agent and deposited timely. All collected funds must be receipted in dual control, and any corrections must be initialed by the sponsors. Additionally, the remittance form must be signed, and the receipt number must be printed once it is entered in the school accounting system.

We recommend that all sponsors remit funds collected for IAF activities to the financial agent daily and intact, accompanied by a completed MCPS Form 280-34, to ensure timely receipting, dual control verification, and compliance with *MCPS Financial Manual* requirements for safeguarding and depositing school funds.

Finding 5 [Moderate-Risk]: We found that not all field trip documentation was on file, not all sponsors were providing completed data at the conclusion of each trip, and that data was not being reconciled to the final account history report. In addition, School Cash Online (SCO) was not properly maintained to report all payments received at the school and fee waivers.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms, signed by the principal, must contain all expense information, any subsidy information, and the field trip cost to be charged per student. The administrative secretary must establish a separate account in the IAF for each trip. Sponsors of field trips must have a complete class or club roster of student names to annotate the amount each student paid, the date paid, eligible students who did not participate in the trip, and students who received waivers, scholarships, or reduced fees. This data, together with a list of all chaperones and volunteers, must be provided to the secretary at the completion of each trip and compared to remittances recorded in the trip account history report (refer to the *MCPS Financial Manual*, chapter 20, page 10). SCO item attachment report may replace the field trip accounting sheet as long as all eligible students have data entered, such as paid, waived, scholarship, or did not attend. This report must be reviewed and initialed by the sponsors.

We recommend that all trips be made available for payment on SCO, required documentation be kept on file for audit, and that field trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent to provide complete data at the conclusion of each trip. This data must be reconciled by the secretary with remittances recorded in activity accounts.

Finding 6 [Low-Risk]: We found field trips had the cost of substitutes factored into the cost per student, but found no evidence that payment had been made to MCPS using MCPS Form 203-2A, *iPayment worksheet School Reimbursement for MCPS Substitute Teacher Coverage*.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms, MCPS Form 203-2A, signed by the principal, must contain all expense information, any subsidy information, and the field trip cost to be charged per student. The cost of any substitutes needed must be included on the field trip calculator, and this information must be given to the financial specialist in order for payment to be submitted to MCPS.

We recommend that a process be put in place to guarantee if a substitute is used for teacher coverage, the school reimburses MCPS for this coverage. In addition, if you did in fact use substitutes for prior field trips, you must submit the reimbursement to MCPS.

New Findings and Recommendations:

Finding 1 [High-Risk]: We noted that the employee performing the bank reconciliations is also one of the check signers for the Independent Activity Fund (IAF) checking account since at least July 2021.

The employee performing the independent bank reconciliation cannot be a check signer (refer to *MCPS Financial Manual*, chapter 20, page 6).

We recommend that the principal designate another check signer who is not the bank reconciler and update the bank signature card.

Finding 2 [High-Risk]: We found that rather than voiding checks or receipts in the general ledger, the financial specialist sometimes altered the transaction number and reprinted the check or receipt on new stock. In addition, voided checks and receipts were not kept intact, so that all three parts of checks and receipts could not always be found.

Once a check or receipt has been written, it shall not be erased or altered. If an error is discovered, the check or receipt should be marked “void” and a replacement issued. Any misprinted checks or receipts should be entered into the accounting system, and the voided checks and all three parts of any voided receipt forms should be defaced and retained. A void-proof sheet explaining the reason for the void was not always present. Some checks that were reported lost and voided were later found and cashed by the payee.

We recommend that checks and cash receipts written in error be properly voided in accordance with the *MCPS Financial Manual*, chapter 7, page 4, and chapter 20, page 6.

Finding 3 [Moderate-Risk]: We found the 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).

Finding 4 [Moderate-Risk]: We found that some cardholders had not promptly prepared their monthly statements, provided description of items purchased, indicated IAF account number when required, attached their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the principal had not approved all transactions online.

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 within ten business days following cardholder review, using the online reconciliation program.

We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements

Finding 5 [High-Risk]: We found that the change funds being used did not comply with MCPS requirements. Some were created by checks issued directly from an activity account rather than from a separate change fund account. The cash for these change funds was not separately receipted, which made it impossible to ensure that all such cash had been returned. The amount of the change fund sometimes exceeded the amount needed for the activity.

Cash may be used to establish a change fund to aid in the sale of items or tickets. At all times, the cash on hand must equal the authorized amount of a change fund. When the requirement for the change fund is concluded, the cash is remitted to the financial specialist and receipted into the appropriate IAF account. All school change funds must be closed no later than the end of the fiscal year.

We recommend that change fund usage be brought into compliance with requirements (refer to the *MCPS Financial Manual*, chapter 7, page 6).

Finding 6 [Moderate-Risk]: We found that the school did not correctly report all funds collected from students who were identified as needing assistance that resulted in an underpayment to MCPS in FY24 and an overpayment to MCPS in FY25.

Sixth-grade students at each middle school in MCPS participate in a three-day, two-night residential outdoor environmental education program (OEEP) for which they are assessed an activity fee to reimburse MCPS for personal expenses associated with the program. Students unable to pay the OEEP activity fee receive waivers. Any waivers must be reported to MCPS so that the total amount of the invoice billed to schools is adjusted accordingly. (See *MCPS Financial Manual*, chapter 20, page 10)

We recommend that you review the procedures for reporting students needing financial assistance with the sponsor, and that financial assistance forms are reviewed for accuracy before they are submitted.

Finding 7 [Moderate-Risk]: We found events that should have been controlled with pre-numbered ticket sales, but had not used tickets , transactions were recorded in club and class accounts, and ticket sales were not tracked by ticket reports, and there was no perpetual inventory of MCPS tickets.

Admission receipts for events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. (refer to *MCPS Financial Manual*, chapter 20, page 13). Admission event controls include serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and a perpetual inventory of tickets.

We recommend that procedures for the sale of tickets be reviewed with appropriate staff prior to events, that all tickets be serially numbered and issued by the ticket controller, and that a perpetual inventory is maintained.

Finding 8 [Moderate-Risk]: We discovered that minimum guaranteed commissions for FY 2025 had not been received. At our request, the vendor was contacted and the payment was subsequently received.

Contracts for school pictures shall specifically state the terms of the contract including commissions, rebates, bonuses, and free items provided by the contractor. Once the contract is approved by the principal, it must be monitored to ensure compliance.

We recommend that the financial staff establish a process for monitoring contract activity to ensure that all statements are received and filed, commissions due are received, and other terms such as free items and signing bonuses, have been met.

Exit Conference:

At our September 25, 2025, meeting with Mrs. Erin L. Martin, Principal; Dr. Yolanda R. Allen, director, Office of School Leadership and Improvement; Mr. Jesse R. Loznak, principal intern; and Ms. Katherine A. McCarthy, school financial specialist, we reviewed the prior audit report dated September 1, 2023, 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.

We thank you for your cooperation. Based on the **Unsatisfactory** audit, an action plan must be completed. Prior to returning your completed audit action plan, please contact Dr. Yolanda R. Allen, director of school leadership and improvement, Division of School Leadership and Improvement, for written approval of your plan, based on the audit recommendations.

MAP:GK:rg

Attachment

Copy to:

Members of the Board of Education
Dr. Taylor
Mrs. Alfonso-Windsor
Ms. McGuire
Dr. Moran
Ms. Seabrook
Mr. McGee
Mr. Francois
Mrs. Chen
Mrs. Allen
Mrs. Ripoli
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: TBD	Fiscal Year: 2026
School: Takoma Park Middle School	Principal: Erin Martin
DSLI Associate Superintendent: Sean McGee	DSLI Director: Yolanda Allen
Strategic Improvement Focus:	
<p>As noted in the financial audit for the period, strategic improvements are required in the following business processes :</p> <ul style="list-style-type: none"> ● Disbursements ● Financial Reports and Internal Control ● Purchase Cards ● Field Trips ● Cash Receipts ● Fundraisers ● Outdoor Ed ● Admissions ● Pictures ● Sales Tax ● Yearbook ● School Store 	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<p>Bank reconciliation:</p> <ol style="list-style-type: none"> 1. Generate timeline to complete the reconciliation 2. Generate outlook reminders to all staff members involved in the reconciliation process. 3. Obtain online access to bank statements earlier in the month. 4. Include and utilize a monthly electronic checklist to ensure all steps are followed and documents are present in the reconciliation folder. 5. Retraining for bank reconciler (financial specialist) 	Katherine McCarthy Erin Martin Jesse Loznak	Monthly checklist Outlook reminders Access to online banking Training materials	1. Monthly electronic checklists 2. Meeting invites 3. Online access 4. Checklist 5. Training completion report	1. 10.3.25 2. 10.2.25 3. 10.3.25 4. 10.3.25/monthly 5. 10.15.25	Electronic Checklist Set up access to online banking to pull statements earlier in the month as of December 1. Updated outlook reminders sent through the end of SY26 (12.9.25) Monthly timeline/dates

Sponsor Reports: <ul style="list-style-type: none">Provide sponsors with a cover letter attached to sponsor report. Cover letter should include key due dates, link to 280-21.Create and monitor checklist of all IAF account holders to be included with monthly sponsor reports.Develop response protocol for non-compliance (progressive discipline).	Katherine McCarthy	Cover Letter Monitoring checklist Response Protocol	Checklists Response Protocol	10.15.25	September sponsor reports completed.
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Page 1 of
32

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Uncashed checks: <ul style="list-style-type: none">Contact payees within 60 days of the check issue date.Uncashed checks will be escheated by MCPS due date in January.	Katherine McCarthy	Record of uncashed checks	Memo List of outstanding checks over 180 days	Principal January 2026	Reviewed 12.4
Pre-approval for IAF purchases: <ul style="list-style-type: none">Implementing process for receiving, approving and disbursing requests for purchasesTraining staff on requests for purchasesImplement progressive discipline	Katherine McCarthy Erin Martin Jesse Loznak	Process memo Training plan	Monthly electronic financial checklist review	Principal Monthly (20th of each month)	Protocol created and communicated on 10.16.25
Financial specialists will mark all original cash register receipts and invoices as received and paid after review to ensure the order was fully received and satisfactory.	Katherine McCarthy	stamps	Monthly electronic financial checklist review	Principal Monthly (20th of each month)	
Collect all P-Cards by the last day of school.	Katherine McCarthy	P-card	Year end check-off list	Principal June 17, 2026	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Implement P-Card Process: <ul style="list-style-type: none"> Reminder e-mail including P-card checklist to all cardholders Provide landscape folder to the principal on the 5th of each month Principal approves purchases by the 15th of each month Implement progressive discipline 	Katherine McCarthy Erin Martin/Jesse Loznak	Landscape report & receipts	Monthly electronic checklist	Principal Monthly: To Principal - 5th Approved by Principal - 15th	
Implement void receipt protocol: <ul style="list-style-type: none"> Print void proof sheet Include explanation for void Attach supporting documentation and file Deface voided receipt 	Katherine McCarthy	Void proof sheet	Monthly electronic checklist	Principal Monthly (20th of each month)	September-no voids October-no voids
Cash Receipts: <ul style="list-style-type: none"> Implement in person training (meeting) prior to each fundraiser and field trip. Provide sponsors with a resource folder at the start of each fundraiser or field trip with all financial resources and protocols. 	Katherine McCarthy	Folder with Fundraising /Field Trip Guide and all needed documents	Monthly electronic checklist	Beginning and end of field trip or fundraiser	
Meet with Difference Makers to review finding and communicate the expectation.	Katherine McCarthy Erin Martin/Jesse Loznak				

Activate the change fund account and implement use for any instance where a change fund is requested.	Katherine McCarthy	IAF Request Form	Change Fund Account Activity Report Monthly electronic checklist	Principal Monthly (20th of each month)	
Outdoor Education: <ul style="list-style-type: none">Meet with the Outdoor Ed Committee to communicate financial procedures for Outdoor Ed.Review and approve field trip calculator.Implement training on money collection and waiver reporting 1 week prior to disbursement of permission slips to include ODE sponsor, committee, 6th grade ACT team, financial specialist, principals.	Katherine McCarthy	Field trip logistics organizer	Completed and approved		Attended mtg September 15, 2025
Field Trips: <ul style="list-style-type: none">Implement a comprehensive folder process to provide all resources and due dates.Implement process for professional leave payment to include form 430-94 and 203-2A.Print out and file all field trip accounting documentation at the conclusion of the trip.Enter all waivers and payments in SCO as they are submitted.	Katherine McCarthy	Field trip folder SCO report	Field trip folder review	Weekly meetings w/ Financial Specialist and Principal throughout field trip cycle	
Informal Monthly Audits Meetings to review the previous month's documentation.	Galit Kushnir	Monthly paperwork	Informal audit meeting notes	Monthly Galit Kushnir	11.25.25 (for Sept)
Update check signers to exclude administrator who completes the reconciliation and the principal will issue a financial memo outlining approved signers and protocol.	Katherine McCarthy Erin Martin	Bank paperwork to adjust signers Memo	Completed paperwork copy Memo	10.2.25 10.2.25	Updated Bank Paperwork with corrected signatories COMPLETED
Contact Beth Sanchez to collect funds for duplicate payment.	Erin Martin	Email contact	Received check	9.30.25	Check received and deposited 10.2.25 COMPLETED

Print and file Freed Photography contracts for 24.25 and 25.26.	Erin Martin Tracy Mickens-Hundley	Signed contract	Signed contract	Katherine McCarthy	Printed and filed 10.2.25 COMPLETED
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OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved Please revise and resubmit plan by

Comments:

Director:



Date: 12/19/25

Page 3 of
32