Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

July 13, 2026

MEMORANDUM

To: Ms. Michelle Esema, Principal
Westbrook Elementary School

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

Subject: Report on Audit of Independent Activity Funds for the Period June 1, 2024, through April 30, 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

Westbrook Elementary School is located in Bethesda, Maryland and is part of the Bethesda Chevy Chase cluster. At the time of this audit, Westbrook ES reported total IAF assets of $59,186. Of this balance, $28,665 is in the Centralized Investment Fund (CIF), which pays a 2.77 percent annual interest rate. 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 (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:

Needs Improvement – Moderate Risk

Based on the results of our audit, we found 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]: 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 deposit slips, year-to-date reports, bank statements including the cleared checks, MCPS invoices and payments, deposit analysis, receipts, and remittance slips. We recommend that IAF records be properly filed and retained to be available for audit.

Finding 2 [High-Risk]: 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. In our sample of disbursements, prior approval was not consistently obtained, and the secretary was not always completing MCPS Form 280-54 for iPayments. We also noted instances in which controls over purchases were weakened including documentation supporting purchases were not stamped or marked "paid", and invoices were not always signed by the receiver to indicate goods or services were received, and that payment could be processed. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditure and signed by the principal at the time verbal approval is sought. We also recommend that all support documents be marked paid, and when goods are received at the school that 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 3 [High-Risk]: Cash receipts and checks 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. In our sample of receipts, we found that some sponsors were holding funds collected rather than remitting them to the secretary on a daily basis. We also noted at times funds were held by sponsors over allowable limits or over a weekend.

We recommend that all funds collected must be remitted to the secretary daily and entered into the accounting software to minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs. We also recommend that all remittances on hand must be deposited promptly, and always before each weekend, end of the month, or holiday as infrequent deposits increase the possibility of a loss of funds, diminish the school's ability to fund activities, and are contrary to the *MCPS Financial Manual*.

Exit Conference:

At our June 18, 2026, exit conference with Ms. Michelle Esema, principal and Ms. Nicole L. Bell, school administrative secretary (secretary), we reviewed the prior audit report dated June 25, 2024, and the status of the present conditions. It should be noted that your appointment as principal was effective May 1, 2026, and Ms. Bell's assignment as secretary was effective November 8, 2025. 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. 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:AMB:rg

Attachment

Copy to:
Members of the Board of Education
Dr. Taylor
Mrs. Alfonso-Windsor
Ms. McGuire
Dr. Moran
Ms. Seabrook
Mr. Francois
Dr. Jones
Mrs. Chen
Mrs. Ripoli
Mr. Santos Rodriguez
Dr. Zarchin
Ms. Webb

MCPS CLEAR FORM

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 6/18/2026	**Fiscal Year:** 2026
School or Office Name: Westbrook E.S.	**Principal:** Michelle Esema
DSLI **Associate Superintendent:** Donna Redmond Jones	**DSLI** **Director:** Michael Zarchin

Strategic Improvement Focus:

As noted in the financial audit for the period 06/01/24-04/30/26, strategic improvements are required in the following business processes :

Financial Reports Internal, Disbursements and Cash Receipts

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Financial Reports Internal: Organize financial records for the current fiscal year by category in colored and labeled file folders in a cabinet. Files to be transferred to a labeled box at the end of the fiscal year and stored in a secure closet.	Administrative Secretary	File Folders Cabinet	Records review three times a fiscal year.	Principal Oct./Feb./June	Principal Review Checklist: Complete, current files in the cabinet and stored boxes.
Disbursements and Cash Receipts: Fiscal Management and Responsibilities Training focused on Field Trip Management and the Request for Purchase/Reimbursement/ Remittance Process. Training for Team Leaders	Administrative Secretary Principal	Training Slides 280-54	Agenda Training Slides	Principal August	All Team Leaders trained on fiscal responsibilities for Field Trips and Requests for Purchase.
Disbursements and Cash Receipts: Fiscal Management and Responsibilities Training focused on Field Trip Management and the Request for Purchase/Reimbursement/Remittance Process. Training for Full Staff	Administrative Secretary Principal	Training Slides 280-54	Agenda Training Slides	Principal August	All MCEA/SEIU trained on fiscal responsibilities for Field Trips and Requests for Purchase.
Weekly Fiscal Meetings with Principal and Administrative Secretary to review items related to Financial Reports, Disbursements and Cash Receipts.	Administrative Secretary Principal	Fiscal Documents and Resources	Weekly Meeting Invites and Items Lists	Principal Weekly	Agendas and notes with action items and notes for follow-up maintained electronically.

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DIVISION OF SCHOOL LEADERSHIP AND IMPROVEMENT (DSLI)
☑ **Approved** ☐ **Please revise and resubmit plan by ______________**
Comments:
Director: Michael J. Zarchin Date: 9/9/26