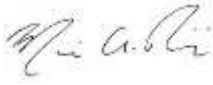


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

February 18, 2026

MEMORANDUM

To: Mr. Craig W. Staton, Principal  
Julius West Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
September 1, 2023, 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

Julius West Middle School (JWMS) opened in 1961 and is located in Rockville, Maryland. JWMS serves over 1,300 students ranging from grades 6-8 and with roughly 139 staff. JWMS is an International Baccalaureate (IB) World School and hosts programs such as the Middle Years Programme (MYP), Learning and Academic Disabilities (LAD) and Social Emotional Special Education Services (SESES). At the time of this audit, Julius West MS reported total IAF assets of \$59,846. Of this balance, \$44,820 is in the Centralized Investment Fund (CIF), which pays a 3.28 percent annual interest rate. The school received annual commissions from the Interagency Coordinating Board (ICB) and student pictures. The school also receives funds from the PTA.

**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 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 our audit results, we found that the IAF is generally well managed, with no evidence of fraud, 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*, using the attached action plan template to provide a written response, approved by 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 report dated November 21, 2023, was conducted for audit period February 1, 2022, through August 31, 2023, and noted:

**Finding 1 [Low Risk]:** Checks over 180 days old were not escheated.

Schools are encouraged to contact payees who have not cashed or deposited checks within 60 days, and to replace lost or damaged checks to minimize the required escheatment filing. It is not permissible to void uncashed checks without having written documentation from the payee stating that they want to donate the funds back to the school, or that it was not owed to them. This letter

must be filed with the void proof sheet so that it is available for review by the IAU (refer to the *MCPS Financial Manual*, chapter 20, page 12).

Uncashed school checks that are more than 180 days old must be reported to the Division of Controller (DOC) at the end of the calendar year, using the process outlined in the MCPS IAF Escheatment Process document located on the Department of Controller website. We found that five checks over 180 days were voided without written documentation that the recipient had received the funds. There was an excessive amount of checks voided with some of the funds being donated back to the school. In addition, there were twelve checks escheated in 2024 that were written in 2020.

We recommended reviewing the outstanding checks every month. If any are over 60 days old the financial agent should reach out to the recipient to confirm receipt of the check. Any check that goes uncashed for 180 days or more the school should complete the escheatment documentation and forward the information to the Department of Controller by the end of the calendar year.

**Finding 2 [Moderate Risk]:** MCPS reimbursements were not submitted timely.

Schools must follow the MCPS process for receiving reimbursements from allocated funds when IAF funds are used. Eligible MCPS reimbursements should be processed using MCPS Form 280-48, *Request for Reimbursement of Invoice Paid by School*. This reimbursement form is due to the Department of Controller's office by the first full week of the month following the date of the IAF expenditure. Processing the form timely ensures the funds will be received by the school (refer to MCPS Form 280-48). We found that several disbursements were not submitted timely resulting in funds in excess of \$8,000 being transferred from the general account to cover those expenses.

We recommend MCPS Form 280-48 be completed at the time of disbursement and submitted within the guidelines of the form. This will ensure that funds are received timely and within the fiscal year the expenses were incurred.

#### **New Findings and Recommendations:**

**Finding 1 [High Risk]:** Disbursements were written against a negative checking account balance.

Schools must ensure that sufficient funds are in their checking account before writing any checks against the balance. If funds are needed from the CIF account to cover any disbursements, the school should complete MCPS Form 280-44, *Centralized Investment Fund Deposit/Withdrawal* and submit in order to have funds moved from the CIF account into their checking account. We found on two occasions June 2024 and May 2025 that the ending balance on the bank reconciliation documents were in the negative.

We recommend that the school monitors their checking account balance when processing disbursements. If the disbursement(s) are over the balance in the checking account and there are funds in the CIF to cover those costs, the school should use MCPS Form 280-44 to process the transfer. Once the transfer form is submitted the school should check their checking account to

ensure the funds were transferred, if they have, complete a journal entry in School Funds Online (SFO) and then resume processing disbursements.

**Finding 2 [Moderate Risk]:** The principal did not approve purchase requests in writing prior to the procurement of goods or services.

Schools must follow the *MCPS Financial Manual*, chapter 20, *Independent Activity Funds*, to procure goods and services using IAF. In our sample of seven disbursements, we found that two of the MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, were not approved by the principal prior to the procurement of goods or services. In addition, we found seven requests that were not preapproved.

We recommend that staff obtain the principal's approval using MCPS Form 280-54 before purchasing goods or services. If the sponsor is seeking immediate approval, they should have the MCPS Form 280-54 prepared and obtain a signature at that time.

**Finding 3 [High Risk]:** Disbursement documentation was not located.

Documents supporting the IAF reports are part of the financial records and should be maintained in the school office and filed in a logical manner in order to be readily available for audit or other purposes. (refer to the *MCPS Financial Manual*, chapter 20, page 11).

Schools must retain IAF records for a period of five years after the close of the year in which they apply and until all audit requirements have been met (refer to the *MCPS Financial Manual*, chapter 20, page 16). We noted that eleven disbursements and their documentations were not on file.

We recommend filing all disbursements and their supporting documentation together in numerical order. This ensures that there is a record of all checks that have been written along with the supporting documentation.

**Finding 4 [Moderate Risk]:** Internal controls for disbursements were deficient

The control environment comprises a variety of policies, regulations, procedures, attitudes, and the conduct of MCPS employees. This is the foundation of an organization's internal control. Without such a solid foundation, all other internal control components become ineffective. Internal controls are not designed only to reduce the potential for the commitment of fraud, but also for the benefit of those involved in a process as a defense against allegations of impropriety (refer to the *MCPS Financial Manual*, chapter 6, page 5). We noted that the principal signed his own requests for a purchase. In addition, one check only had the signature of the financial agent and two checks were endorsed using the principal's endorsement stamp.

We recommend that the principal have an assistant principal sign their request for a purchase as part of the internal control process. In addition, all checks should be signed by the principal unless the check is made out to him or her.

**Finding 5 [High Risk]:** The school did not adhere to the MCPS Procurement process according to the *MCPS Financial Manual* when contracting with a consultant/independent contractor using Independent Activity Funds (IAF) that provided a service to the school.

Schools must follow the *MCPS Financial Manual*, chapter 20, *Independent Activity Funds*, to procure goods and services using IAF. In our sample, we noted three payments to independent contractors who provided services to the school. The services included a DJ for a dance, a contractor for outdoor education and landscapers that provided a cleanup of school grounds. The vendor and the service provided required procurement approval on MCPS Form 280-49A, *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF)* and a review by MCPS Systemwide Safety Programs prior to contracting and issuing payment to the vendor.

We recommend that the financial agent and the principal review all purchase requests in advance to determine whether additional authorization is required before procuring goods or services. If the school is unsure whether a request requires additional approval, the *MCPS Financial Manual*, chapters 15 and 20, should be referenced, or the school can contact the MCPS Department of Procurement.

#### **Exit Conference:**

At our January 20, 2026, exit conference with Mr. Craig W. Staton, principal, and Mrs. May L. Salloum-Shraim, school financial specialist, we reviewed the prior audit report dated November 21, 2023, 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 Dr. Alana Murray, director of school leadership and improvement, Division of School Leadership and Improvement, for written approval of your plan. Based on the audit recommendations.

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

Dr. Murray

Mrs. Ripoli

Mr. Santos Rodriguez

Ms. Webb



## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> February 18, 2026	<b>Fiscal Year:</b> 2026
<b>School or Office Name:</b> Julius West MS	<b>Principal:</b> Craig Staton
<b>DSLI</b> <b>Associate Superintendent:</b> Dr. Denna Redmond-Jones	<b>DSLI</b> <b>Director:</b> Dr. Alana Murray
<b>Strategic Improvement Focus:</b> As noted in the financial audit for the period <u>9/1/2023 – 10/31/2025</u> strategic improvements are required in the following business processes:	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<p><b>Finding (Repeat):</b> Checks over 180 days old were not escheated.</p> <p><b>Action Steps:</b> School financial specialist (SFS) will carefully monitor the outstanding checks report each month looking for checks that are over 60 days old.</p> <p>SFS will reach out to payees who have not cashed or deposited their check within 60 days and will reissue a new check if lost or damaged to minimize required escheatment filing.</p> <p>Uncashed school checks that are over 180 days will be reported to the Division of Controller (DOC) at the end of the calendar year via the escheatment process.</p>	SFS	Outstanding checks report from School Funds Online (SFO)	<p>SFS will review monthly outstanding checks and confirm that checks are being cashed in a timely fashion.</p> <p>Payees who have not cashed their checks within 60 days will be contacted by email and/or phone to discuss this matter.</p>	SFS will monitor outstanding checks at the beginning of each month.	<p>Escheatment filing will be at minimal.</p> <p>Any checks that go uncashed for over 180 days will be escheated.</p>
<p><b>Finding (Repeat):</b> MCPS reimbursements were not submitted timely.</p> <p><b>Action Steps:</b> MCPS form 280-48 will be prepared at the time of the IAF payment and sent to DOC by the end of the first full week of the month following the IAF expenditure.</p>	SFS	<p>MCPS form 280-48</p> <p>Backup documentation required for reimbursement request sent to DOC.</p>	Review IAF account 0060.0000 during the monthly bank reconciliation process to ensure MCPS is depositing requested funds to the school's bank account.	IAF account 0060.000 will be reconciled monthly. SFS will contact DOC if outstanding reimbursement requests have not been deposited in the school's bank acct.	IAF account 0060.0000 should be zeroed out by the end of the fiscal year. This would indicate that all reimbursement requests have been honored by the DOC.

<p><b>Finding:</b> Disbursements were written against a negative checking account balance.</p> <p><b>Action Steps:</b> School will review the checking account balance before creating checks in SFO. If disbursements cause the checking account to be negative, a transfer to move funds from CIF to the checking account will take place before creating any checks in SFO.</p>	<p>SFS</p> <p>Principal</p>	<p>Online banking</p> <p>Bank statement</p>	<p>Review the checking account balance before creating checks in SFO ensuring there are sufficient funds to cover the amount of the checks.</p>	<p>SFS will ensure sufficient funds before creating a check in SFO.</p> <p>Principal will review transactions and balances on bank statements.</p>	<p>Checking account will not have a negative balance.</p>
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Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<p><b>Finding:</b> The principal did not approve purchase requests in writing prior to the procurement of goods or services.</p> <p><b>Action Steps:</b> MCPS form 280-54 should be prepared by staff and signed by the principal at the time verbal approval is sought. Certain sponsors will prepare a spending plan detailing expected income and expenses and obtaining approval from the principal at the beginning of the school year. These budgets will be monitored by the SFS and revised if necessary.</p>	<p>Staff members</p> <p>SFS</p> <p>Principal</p>	<p>Projected Spending plan completed by certain staff members.</p>	<p>Staff will be trained on completing the proper paperwork for request for purchase with appropriate documentation to support the purchase.</p> <p>Emphasis to staff will be made so that if purchases were made without prior approval and documentation, they may not get reimbursed.</p> <p>Information regarding procedures related to school purchases will be shared during pre-service week with all new and returning staff.</p>	<p>Certain staff members send monthly spending reports to SFS and principal depicting budgeted versus actual purchases.</p> <p>Receipts for reimbursement must be turned in within two weeks of purchase.</p>	<p>Appropriate documentation attached to receipts.</p> <p>SFS monitors monthly spending plan and recommends any revisions needed.</p>

<p><b>Finding:</b> Disbursement documentation was not located.</p> <p><b>Action Steps:</b> School will file all disbursements and their supporting documentation together in numerical order.</p>	SFS	Filing system placing disbursements and supporting documentation in numerical order.	Files are in numerical order by month.	SFS will ensure all disbursements and their supporting documentation are placed in numerical order in the filing system.	Disbursements are easily located in filing system, documentation is intact.
<p><b>Finding:</b> Internal controls for disbursements were deficient.</p> <p><b>Action Steps:</b> The assistant principal (AP) will sign principal's request for purchase as part of the internal control process. Checks made out to principal will be signed by the authorized assistant principal. All checks will have a wet signature.</p>	SFS Principal Assistant principal	Assistant principal approves and signs requests for purchase made by principal.	SFS will verify that the correct signatures are on request for purchase made by the principal.  SFS and principal will confirm checks have two signatures, and are wet signatures	Principal will sign as requester; AP will approve and sign the principal's request. SFS will review and verify the correct signatures are on the request for purchase form.  SFS and principal will make sure all checks have wet signatures, and that the principal does not sign his own check.	Requests for purchase made by principal will be approved and signed by the AP.  Checks will have wet signatures.
<p><b>Finding:</b> The school did not adhere to MCPS Procurement process according to the MCPS financial manual when contracting with consultant/independent contractor that provided a service to the school.</p> <p><b>Action Steps:</b> Review all purchase requests in advance to determine whether additional authorization is required before procuring goods and services with IAF funds.</p>	SFS Principal	MCPS form 280-49A W-9 Procurement office	SFS will complete form 280-49A before hiring a consultant/independent contractor.  SFS will check with Procurement if vendor has been established in SFO as a districtwide vendor and obtain IRS W-9 if required.  School will hire a vendor when procurement returns and signs form MCPS 280-49A.	SFS will check if vendor has been established in SFO as a districtwide vendor.  SFS will gather all required information to complete MCPS form 280-49A before submitting the form to Procurement for approval.	Payments to consultants/independent contractors will be made after IRS form W-9 has been obtained and MCPS form 280-49A has been completed.

**DIVISION OF SCHOOL LEADERSHIP AND IMPROVEMENT (DSL)**

**Approved**

**Please revise and resubmit plan by \_\_\_\_\_**

Comments:

Director: Alana D. Murray

Date: 3.19.2026