

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

January 6, 2026

MEMORANDUM

To: Mrs. Edith U. Lee, Principal
Whetstone Elementary School

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

Subject: New Principal IAF Audit Review Conference



At our December 22, 2025, meeting, we reviewed the roles and responsibilities of Internal Audit, the Principal, and the Administrative Secretary regarding the management and oversight of the IAF and the IAF fund account balances for Whetstone Elementary School. We discussed fund types and fund management, as well as the prior audit report dated December 6, 2024, covering the audit period of August 1, 2021, through September 30, 2024. In addition, we discussed:

- The Internal Audit Unit and our role within MCPS.
- Reviewed the purpose, structure, and requirements of the Independent Activity Fund (IAF).
- Outlined the principal's fiduciary responsibilities for oversight of IAF transactions.
- Walked through key policies on receipts, deposits, disbursements, and procurement.
- Discussed required documentation and recordkeeping standards.
- Reviewed the monthly principal checklist for IAF monitoring.
- Highlighted common audit findings and how to prevent them.

Based on this review, 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 IAF.

We noted that cash and check collections were not correctly handled or controlled. We found that more than \$2,500 was held at the school for over a month in an unsecured location. There was no evidence that the funds had been verified or when sponsors had submitted them, as the documentation lacked a signature and a date. In an effort to secure funds with the bank, the principal, auditor, and administrative secretary counted and verified funds on hand and prepared funds for deposit to the bank.

The school must follow *the MCPS Financial Manual*, Chapter 7, Cash Control of School Funds, to handle cash receipts and checks. Infrequent deposits increase the risk of theft and/or loss of funds, diminish the school's ability to fund activities, and are contrary to the *MCPS Financial Manual*. To minimize the risk of loss and ensure available funds are fully utilized to meet school needs, all funds collected should be remitted to the secretary daily, verified by both parties, and entered into the accounting software. In addition, all remittances on hand must be deposited

promptly, and always before each weekend, the end of the month, or a holiday. Staff should also monitor their remittances to the secretary to ensure they receive a receipt promptly. MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, should be completed in full by the sponsor and the secretary, and the secretary should file the deposit package, including a deposit analysis, receipts, remittance slips, and the deposit slip verified by the bank.

We recommend that all funds collected be remitted to the secretary daily and secured appropriately. Any funds stored overnight at a school must be adequately secured in either a locked cabinet or a combination safe. The administrative secretary must enter the transactions into the accounting software and deposit them with the bank on the day funds are collected and remitted. The secretary must provide the account sponsor with a pre-numbered receipt generated from the accounting software. We recommend that sponsors review the receipt for accuracy and notify administration if receipts are not provided to them promptly. As part of the monthly reporting tasks, the administrative secretary must provide account sponsors with a monthly account history report, generated by the accounting software. We recommend that the sponsor review the monthly report to ensure all transactions have been posted accurately. Sponsors are required to sign and return this report each month to the administrative secretary.

MAP:LMB:rg

Attachment

Copy to:

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