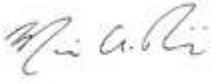


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 18, 2026

MEMORANDUM

To: Mrs. Nicole J. Morgan, Principal
Walter Johnson High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2024, through November 30, 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, admissions 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

Walter Johnson High School (WJHS) was founded in 1956 and is located in Bethesda, Maryland. WJHS serves over 3,000 students in grades 9, 10, 11, and 12, and nearly 300 staff members. WJHS uses an all-school booster club model to support the school's athletics program and other school-sanctioned groups. During the audit period, the Booster Club contributed more than \$35,000 to athletics and more than \$56,000 to non-athletic activities. In addition, the PTA contributed over \$21,000. The school also received annual commissions from the Interagency Coordinating Board (ICB), student pictures, and community donations to support student initiatives and activities. At the time of this audit, WJHS reported total IAF assets of \$746,729. Of this balance, \$403,257 is in the Centralized Investment Fund (CIF), which pays an interest rate of 3.28 percent. For the fiscal year ending June 30, 2025, the school reported total receipts of \$798,014 and total disbursements of \$701,626, resulting in a surplus of \$96,388.

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 – Moderate Risk

Based on our audit results, we found that 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, 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 July 22, 2024, was conducted for the audit period May 1, 2023, through April 30, 2024, and noted:

Finding 1 [Moderate Risk]: The principal did not approve purchase requests 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 21 disbursements, we found that eight of the MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, were not approved by the principal before the procurement of goods or services. We also found that when a purchase was made per budget, MCPS Form 280-54 did not have the principal's signature but instead had "per budget" notated on the signature line.

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 MCPS Form 280-54 prepared to obtain a signature at that time. Additionally, we recommend that financial agents ensure the principal signs all MCPS Form 280-54s, including preapproved budget items, before processing checks.

Finding 2 [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 six deposit packages, we found instances in which sponsors held funds rather than remitting them daily to the school financial specialist (SFS), and in three of the samples, the SFS did not take funds to the bank in a timely manner. We also noted that the SFS did not always verify funds with sponsors upon remittance, and there was no evidence that funds were later counted under dual control.

Infrequent deposits increase the risk of fund loss, 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, we recommend that all funds collected be remitted to the SFS daily. We recommend that, if the drop safe is being used, the SFS verify the funds in the safe with another staff member if the remitter is not available. The staff member verifying the funds should initial the remittance as evidence of verification. In addition, we recommend that all funds on hand be deposited promptly, and always before each weekend, the end of the month, or a holiday in accordance with the MCPS Cash Handling Authority.

New Findings and Recommendations:

Finding 1 [Moderate Risk] Monthly account history reports were not provided to sponsors to affirm transaction correctness.

Schools must follow *MCPS Financial Manual*, chapter 20, *Independent Activity Funds, Sponsor Records and Reports* (chapter 20, page 10). In our sample of monthly sponsor reports, we found that sponsors did not receive monthly account history reports inclusive of all months in the audit period. Additionally, the prior SFS lacked controls and processes for disbursing reports to sponsors & tracking reports returned and signed by sponsors each month.

We recommend that the SFS provide sponsors with a monthly account history report for each month in which any transactions are recorded in that sponsor's IAF account, or when the account has a balance. The sponsor will review the report to ensure that the account activity is accurate, that all transactions were authorized, and that the ending monthly balance indicated on the report agrees with the sponsor's records. If the sponsor agrees with the monthly reported transactions and ending balance amounts, the sponsor will sign and date the report to indicate agreement and return a copy to the SFS within five days of receipt. If the sponsor disagrees with any transaction or amount on the report, they will immediately contact the SFS. The SFS should maintain a control/process (e.g., an account or sponsor checklist) to identify sponsors who have not returned monthly reports, so the SFS can follow up with sponsors who do not review and return the reports, ensuring they are signed and dated.

Finding 2 [High Risk] IAF check process lacked proper controls

Schools must follow the *MCPS Financial Manual*, chapter 20, *Independent Activity Funds, Disbursement of IAF Funds* (chapter 20, page 6). Each school shall use School Funds Online (SFO) two-part pre-numbered receipt & check forms. Receipts and checks shall be issued in strict numerical sequence in accordance with *MCPS Financial Manual*, chapter 7, page 3. Once written, a check must not be altered or erased. If an error is discovered, the word "Void" should be written in ink across the face of the check, and a new replacement check should be written. We found five check numbers issued in the accounting software that did not match the check numbers cleared at the bank. We also noted gaps in the check sequence; a total of seven check numbers were missing. Additionally, we noted frequent voids; 38 checks were voided in the accounting system during the audit period. Documentation and defaced check stock were not filed systematically, resulting in some voids not being available for audit review.

We recommend that the SFS verify that the check stock and the SFO-issued check number match before printing each disbursement. Additionally, if the stock is damaged or printed incorrectly, the SFS should follow the "void the void" process to account for each check number in the accounting system, deface the stock, and file all documentation systematically with the IAF annual reports, ensuring it is available for audit review.

Finding 3 [Moderate Risk] IAF receipt process lacked proper controls

Each school shall use School Funds Online (SFO) two-part pre-numbered receipt forms. Receipts shall be issued in strict numerical sequence. These receipts are computer-generated, so access to the controls for printing them must be limited to the financial agent. 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 to ensure they are readily available for audit or other purposes (*MCPS Financial Manual*, chapter 20, page 11). Upon completion, receipts shall be attached to the remittance slip and any other source documentation, and the documents shall be filed in sequential order, together with a copy of the deposit slip validated by the bank. (*MCPS Financial Manual*, chapter 7, page 4.) During the audit period, the school ran out of SFO-issued receipt forms, so the SFS printed receipts on plain office paper, which is prohibited. There was no evidence that a copy was being made and provided to the sponsors to verify that the funds remitted had been receipted in the accounting software. Additionally, we noted that receipts were not always entered in sequential order or that receipt numbers did not match the computer-generated sequence. Two samples selected for October 2025 were not found in the files.

We recommend that the school ensure adequate stock is on hand for processing daily receipts, and all receipts entered are printed on the SFO-issued receipt form. Once the receipt is printed, the SFS must provide each sponsor with their portion of the 2-part, pre-numbered receipt. The office copy of the receipt form must be kept with the remittance form, and the receipt form number must be recorded on the remittance form. Daily receipts should be filed in sequential order and be made available for audit review. We also recommend that receipts are not entered manually in SFO where the computer-generated number is overridden.

Exit Conference:

At our January 14, 2026, exit conference with Mrs. Nicole J. Morgan, principal; Mrs. Deborah L. Teicher, school business administrator (SBA); and Mrs. Kara B. Garraty, school financial specialist (SBS), we reviewed the prior audit report dated July 22, 2024, and the current status of the conditions. We discussed that the IAF funds were generally well-managed, with effective oversight of field trips, fundraisers, and the receipt and disbursement of funds, ensuring compliance with Board policies and MCPS procedures, with only minor inconsistencies noted. We also discussed the complexity of turnover among vital staff in relation to the school's financial management. During the audit period, a new principal was appointed in July 2024, a new SBA was assigned on July 1, 2024, and the SFS assignment has changed twice; the current SFS was assigned in September 2025. It is also noted that there was a month during the audit period (June, 2024) when the school did not have an SBA or an SFS reporting to work.

You received a comprehensive report outlining each finding, best practices, and items not reportable in the audit. This audit report presents the findings and recommendations from our examination of the school's IAF records and financial accounts for the designated period.

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 Ms. Jeanie Dawson, director of school leadership and improvement, Division of School

Leadership and Improvement, for written approval of your plan. Based on the audit recommendations.

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

Dr. Jones

Mrs. Chen

Ms. Dawson

Mrs. Ripoli

Mr. Santos Rodriguez

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2/24/26

Fiscal Year: 2026

School or Office Name: Walter Johnson HS

Principal: Nicole Morgan

DSLI

Associate Superintendent: Dr. Donna Redmond Jones

DSLI

Director: Dr. Eugenia Dawson

Strategic Improvement Focus:

As noted in the financial audit for the period 5/1/25 – 11/30/25 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
WJHS is to ensure that the principal will approve purchase requests prior to the procurement of goods and services.	purchasing agent, SFS, SBA, principal	MCPS forms 280-54, 290-49a	Review Financial Manual Chapter 20 with all staff. Encourage spending with JPM card if possible. 280-54 to be signed by principal even on purchases that have an approved budget along with the check.	SFS diligently looks at 280-54 requests to ensure that date precedes any spending. SBA to be added to check review to ensure that checks are not written without proper request.	With diligent monitoring and the possible outcome of denying reimbursement staff will follow the appropriate steps for pre-approval before spending.
WJHS is to ensure that cash receipts and checks are properly handled or controlled. Staff will deposit money daily and funds will be verified by SFS and sponsor (or another staff member) at the time money is left with school bank. Finance office will close daily at 2:45 to allow for accurate bank preparation.	SFS, sponsors	280-34, envelopes, drop safe, SFO, SCO	Review Financial Manual Chapter 7 with all staff. Work with parent community and staff to encourage SCO use to avoid cash transactions.	SFS to count money with staff member present immediately. Staff members should receive receipts in mailbox next day and retain their records.	With diligent dual verification all deposits will be processed timely and recorded following all MCPS guidelines. Expect to see an increase in SCO use.
WJHS will ensure that monthly account history reports are provided to sponsors for review and affirm transaction correctness.	SFS, sponsors, SBA, principal	Account History Reports (duplicate printed on two different colored paper)	Review Financial Manual Chapter 20 with staff. Staff will be notified when reports are distributed and instructed to review and return signed within 5 days.	SFS will create a system in which reports not being returned are easily identified. SFS will inform the SBA and principal of non-compliant staff.	With diligent monitoring all reports will be returned in a timely manner. Principal will communicate with staff members who repeatedly do not meet this requirement.

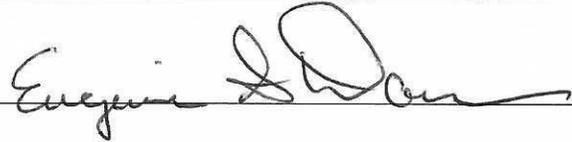
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
WJHS will ensure that the IAF check process has proper controls.	SFS	SCO pre-numbered checks, filing system	SFS to review Chapters 20 and 7 of MCPS Financial Manual around check writing. SFS to be mindful that checks are posted in the proper order. Voided checks to be recorded appropriately in SFO and filed.	SFS will check sequence prior to printing. SFS will create a filing system for voids.	With the now additional training received by SFS, all checks will be printed in sequential order. Checks will be noted in SCO.
WJHS will ensure that the receipt process has proper controls.	SFS	SFO pre-printed receipts.	SFS to review Chapter 20 and will monitor inventory. All printing will happen in sequential order. Handwritten deposits (in SFS absence) will be entered and attached to sequential receipt, so it does not remain in inventory.	SFS will check sequence prior to printing receipts. SFS will stay ahead in ordering supplies	With diligent monitoring all receipts will be entered in order in SFO.

DIVISION OF SCHOOL LEADERSHIP AND IMPROVEMENT (DSLII)

Approved

 Please revise and resubmit plan by _____

Comments: _____

Director:  Date: 2/26/26