


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

November 17, 2017

MEMORANDUM

To: Mrs. Kathleen C. Lazor, Director  
Department of Materials Management

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Division of Food and Nutrition Services, Fiscal Control  
From July 1, 2016, through July 31, 2017

In August 2017, upon your request, the Internal Audit Unit conducted an examination of the fiscal internal controls within the Division of Food and Nutrition Services (DFNS). We conducted our audit in accordance with Generally Accepted Auditing Standards to examine the fiscal internal control processes and procedures, and to evaluate their effectiveness for producing timely and accurate financial documentation required for sound decision making. DFNS utilizes the financial inquiry and reporting process in the Financial Management System (FMS) to review available funds, account balances, transaction history, and run reports.

At our October 23, 2017, meeting with you; Mrs. Susan H. McCarron, director I, Division of Food and Nutrition Services; and Ms. Eugenia S. Dawson, director I, we reviewed the status of the conditions described in this audit report. It should be noted that Mrs. McCarron's appointment was effective September 11, 2017. This audit report presents the findings and recommendations for the period designated above.

Findings and Recommendations

Our examination focused on the fiscal internal control duties and performance thereof by the fiscal specialist, account technician II, accounts payable assistant, and office assistant IV. We reviewed their respective job descriptions and list of duties that encompass the fiscal internal controls of DFNS prior to conducting individual interviews with these four employees. When reviewing the list of duties that encompass the fiscal internal controls of DFNS, we found areas of responsibility that are not typically defined as part of fiscal internal controls. These included oversight of cafeteria food and supply orders, procurement responsibilities, and calculating costs for catering events. In order to improve the success of the fiscal control area within DFNS, we recommend realigning job duties to limit them to direct financial responsibilities for those positions involving fiscal internal control activities.

We noted several other areas of weak internal control related to financial reporting and bank statement reconciliation activities. DFNS management is to receive a monthly spreadsheet,

*MCPS DFNS Comparative Statement of Revenue and Expense*, for fiscal monitoring purposes that details the financial activity for the month as well as from the beginning of the fiscal year through the current month and compares that data to the same time period of the prior fiscal year. We found that the monthly *MCPS DFNS Comparative Statement of Revenue and Expense* was not completed timely, and not reviewed for accurate information. Additionally, we found no evidence that the comparative statement had been completed for the months of March, April, and May 2017. In order to provide the most current financial information for analysis and decision making, we recommend that the *MCPS DFNS Comparative Statement of Revenue and Expense*, be completed by the fiscal specialist in a timely manner for review by management.

The bank statement reconciliations, FMS general ledger journal vouchers, and deposits also were not completed in a timely manner. The monthly bank statements and financial reports had not been signed and dated by the director to indicate that they were reviewed. We noted that the account technician II manually prepares the monthly bank reconciliations without having access to the FMS cash management module. The fiscal specialist enters data into the FMS cash management module to eliminate discrepancies between the bank uploads and the deposits reflected within the Windows based School Nutritional Accountability (WinSNAP) system. We recommend that the bank reconciliations, deposits and general ledger entries be completed in a timely manner for management review. The bank statements, reports and reconciliations should be signed and dated by the preparer and the director upon completion. We recommend that the account technician II, after receiving appropriate training, directly enter data into the FMS cash management module to eliminate the duplication of effort currently required to resolve bank deposit discrepancies. We further recommend that a standard completion date be established for management to receive the monthly fiscal documentation to review based upon a timeline related to the completion of all necessary uploads from the banks and the WinSNAP system.

The Division of Controller (DOC) reported that there were discrepancies between the FMS cash management module and the DFNS receivable accounts when reviewing fiscal year end balances. The DFNS fiscal specialist had made journal voucher entries that caused unreconciled balances in an unapplied cash account. Unapplied cash results when funds received for DFNS are recorded in FMS but are not matched with corresponding invoices for payment. We recommend that DFNS and the controller division collaborate to resolve these discrepancies and determine a process that records receipts within FMS accurately and timely. We further recommend that the fiscal specialist, account technician, accounts payable assistant, and office assistant IV review the online FMS User Guides appropriate for their assigned responsibilities.

#### Summary of Recommendations

- Realign job duties to direct financial responsibilities for fiscal internal control activities.
- Comparative statements, bank reconciliations, deposits and general ledger entries must be completed in a timely manner for review by management.
- The account technician should complete FMS cash management module training to enable use of the module in the bank reconciliation process.
- Establish a standard completion date for monthly fiscal documentation review.

- Collaboratively work with the DOC to determine a process to eliminate fiscal year end unresolved FMS discrepancies.
- Staff should review the appropriate FMS User Guides pertaining to their responsibilities.

Other matters were discussed and satisfactorily resolved. We appreciate the cooperation and assistance of your staff. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, please provide a written response to the Internal Audit Unit within 30 calendar days of this report. In your response, please share a detailed plan for addressing these issues, including appropriate staff training and support.

RWP:MJB:lsh

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Ms. McCarron

Ms. Dawson

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Tallur


Mr. Ikheloa

Department of Materials Management  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

December 18, 2017

MEMORANDUM

To: Mr. Roger W. Pisha, Supervisor  
Internal Audit Unit

From: Kathleen C. Lazor, Director 

Subject: Response to Report on Audit of Division of Food and Nutrition Services, Fiscal Control from July 1, 2016, through July 31, 2017

Thank you for the detailed report on the fiscal internal control within the Division of Food and Nutrition Services dated November 17, 2017. Mrs. Susan H. McCarron, director I, Division of Food and Nutrition Services (DFNS), Ms. Eugenia S. Dawson, director I, Office of the Chief Operating Officer, and I greatly appreciate the time your staff dedicated to this request and the clarity and thoroughness of the report information.

Mrs. McCarron, Ms. Dawson, and I reviewed the findings with your staff in October and the report was shared with the staff of the fiscal control area within DFNS on December 6<sup>th</sup>. All areas of concern were addressed.

As requested, attached is a detailed plan for addressing the issues identified in your report. Please contact Mrs. McCarron or me if you have additional questions or need additional information.

KCL:flr

Attachment

Copy to:

Members of the Board of Education

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Mr. Tallur

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Management Action Plan

Office/Department/Division: Division of Food and Nutrition Services

Approved by:  12-18-17  
 Name/Signature/Date

Findings and Recommendations of Audit Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Realign job duties to direct financial responsibilities for fiscal internal control activities</p>	<p>The duties of the three DFNS staff members assigned with fiscal control are being reviewed. The school ordering functions will be removed and reassigned within the division for proper alignment.</p> <p>The workflow for the fiscal control area will be documented with process maps and explanatory language. This will be reviewed with the Division of Controller to ensure consistency</p>	<p>Reviewing the duties of the staff members has already begun. Duties will be realigned by January, 2018</p> <p>Process maps will be completed and meetings held with the Division of Controller in January and February, 2018.</p>	<p>The ordering processes will be reassigned as appropriate.</p> <p>Completed process maps will be available for all staff and will become part of the standard operations of the area.</p>
<p>Comparative statements, bank reconciliations, deposits and general ledger entries must be completed in a timely manner for review by management</p>	<p>The monthly comparative report for the preceding month will be completed by the fiscal specialist and presented to the director for review by the 20<sup>th</sup> of the month.</p> <p>Bank reconciliations and deposits, which are tied to the cash management module of FMS, will be reviewed and reconciled by the account technician II by the 25<sup>th</sup> of the month. This date may change based on the availability of retrieving the data from the banking institution.</p> <p>General ledger entries are to be completed by the 15<sup>th</sup> of the month, which has been determined to be the “hard close” for the preceding month. The</p>	<p>The reports and processes will be completed by the established deadlines. This will begin in January, 2018.</p>	<p>The fiscal specialist will send, via email, the monthly comparative report to the DFNS director and the DMM director by the 20<sup>th</sup> of the month for review. The final document will be sent to COO and others as appropriate by the end of the month.</p> <p>Bank reconciliations and deposits will be completed each month by the 25<sup>th</sup>. The director will sign off on the reconciliation forms.</p> <p>General ledger processing will be</p>

	general ledger entries are completed by the account technician II and the account payable assistant.		time stamped in FMS.
The account technician II should complete FMS cash management module training to enable use of the module in the bank reconciliation process	The account technician II will be fully trained in the cash management module by staff in the Division of Controller.	The training will be scheduled to occur in January, 2018.	Training will be completed.
Establish a standard completion date for monthly fiscal documentation review	See response above	See response above	See response above
Collaboratively work with the DOC to determine a process to eliminate fiscal year end unresolved FMS discrepancies	DFNS and DOC staff will review previous years' discrepancies between the FMS cash management module and the GL account receivable accounts and make upgrades in the interface and FMS accounts as appropriate.	Meeting times will be scheduled in January, 2018.  A report will be generated that includes an action plan to outline next steps required to eliminate the discrepancies.	Meeting agendas and notes.  Completed action plan and process map for all to follow.
Staff should review the appropriate FMS User Guides pertaining to their responsibilities.	The fiscal specialist, account technician II, and account payable assistant will meet regularly to review the FMS User Guides and discuss their job responsibilities and the flow of information in and out of their work area. The fiscal specialist will keep the DFNS director informed through their Items Meetings.	Team meeting times will be established in January, 2018 and will continue on a regular basis. This will greatly enhance the communication in the work area and amongst the team members.	Meeting agendas and notes along with reports back to the DFNS director

*Note: Forward approved Management Action Plan to the Internal Audit Unit, CESC Room 31C*