


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 29, 2017

MEMORANDUM

To: Miss Monika C. Roberts, Chair
Centralized Investment Fund Advisory Council

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Fiscal Year 2017 Audit of the Centralized Investment Fund

We have audited the accompanying financial statements of the Montgomery County Public Schools (MCPS) Centralized Investment Fund (CIF) for the year ending June 30, 2017 (refer to attachment). These financial statements are the responsibility of CIF management. Our responsibility is to express opinions on these financial statements based on our audit.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CIF.

Pertaining to the financial position of the CIF, the ending balance decreased \$266,493 from \$11,143,586 to \$10,877,093, while net interest income increased \$333 from \$38,227 to \$38,560 compared to the previous fiscal year.

The responsibility for CIF daily operational processes is the responsibility of the Division of Controller (DOC) staff. The DOC provides for separation of duties that strengthens the internal controls for safeguarding the fund's assets. The electronic transfer of funds between a school's CIF account and its checking account via the Automated Clearing House (ACH) reduces the workload for financial agents within the schools. MCPS continues to partner with Sandy Spring Bank to manage the investment of the CIF assets. Interest income and expenses are allocated to schools based on the average daily balance in the individual school's CIF account. Expenses allocated include administrative salaries, associated fringe benefits, and bank analysis fees.

At our November 16, 2017, meeting with you and the CIF advisory council, we discussed several issues that did not represent material internal control weaknesses. We appreciate the cooperation and assistance of you and that of Mrs. Bei Chen, controller; Mrs. Sheila M. Shifflett, staff accountant; and Mrs. Linda Bao, staff accountant. No response to this audit report is necessary.

RWP:KMH:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Dr. Johnson

Mr. Civin

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Tallur

Mr. Ikheloa

MONTGOMERY COUNTY PUBLIC SCHOOLS
CENTRALIZED INVESTMENT FUND
FINANCIAL REPORTS
JUNE 30, 2017

MONTGOMERY COUNTY PUBLIC SCHOOLS
CENTRALIZED INVESTMENT FUND
STATEMENT OF ASSETS AND LIABILITIES – AGENCY FUND
JUNE 30, 2017 AND 2016

ASSETS:

	<u>2017</u>	<u>2016</u>
Cash and Investments:		
Sandy Spring National Bank	\$10,877,093	\$11,143,586
Accounts Receivable – Bank Credit	<u> 0</u>	<u> 0</u>
Total	<u>\$10,877,093</u>	<u>\$11,143,586</u>

LIABILITIES:

Accounts payable for salary expense	\$ 922	\$ 2,323
Due to school groups	<u>\$10,876,171</u>	<u>\$11,141,263</u>
Total	<u>\$10,877,093</u>	<u>\$11,143,586</u>

See Accompanying Notes to the Financial Statements

MONTGOMERY COUNTY PUBLIC SCHOOLS

Centralized Investment Fund Notes to the Financial Statements Year Ending June 30, 2017

1. Accounting Policies and Statement Purpose

The financial statements of the Centralized Investment Fund (CIF) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The statements and supplemental schedule are prepared for management purposes only.

2. Reporting Entity

The CIF is included in the Comprehensive Annual Financial Report of Montgomery County Public Schools as an agency fund in the Statement of Fiduciary Net Assets.

3. Agency Funds

Agency funds are used to account for assets held as an agent for organizations or other governmental units. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The CIF is held for the benefit of students, as defined by Independent Activity Fund processes.

4. Cash and Investments

The policy for cash and investments complies with state law as set forth in State Finance and Procurement Article, §6-222, and Article 95, §22F of the Annotated Code of Maryland, and the accepted investment policy of Montgomery County.

5. Risk Management

The CIF is exposed to various risks of loss; theft of or destruction of assets; errors and omissions; and natural disasters. MCPS participates in the Montgomery County Liability and Property Coverage Self-Insurance Program. In addition, assets are held in financial institutions that are federally insured.

6. Interest Income/Expense

Effective February 17, 2011, MCPS entered into an agreement with Sandy Spring Bank (SSB) to maintain and operate an escrow management account for the CIF. SSB provides schools with access to read-only web-based accounts, posts monthly interest and expenses, and transfers funds between a school's CIF account and its checking account via the Automated Clearing House

(ACH). SSB also handles the investment of the funds tied to the return of two-year treasury notes while protecting the principal through collateralization. Interest income is allocated based upon the average daily balance in the individual CIF accounts. The interest income earnings rate remained unchanged at 38 basis points for Fiscal Year 2017 compared to the previous fiscal year. Expenses allocated include administrative salary, associated fringe benefits, and commercial checking bank account service charges.

SUPPLEMENTAL INFORMATION

MONTGOMERY COUNTY PUBLIC SCHOOLS

Centralized Investment Fund
Supplemental Information
For the Fiscal Years Ending June 30, 2017 and 2016

INTEREST INCOME AND CHARGES

<u>SOURCES OF INTEREST INCOME</u>	<u>2017</u>	<u>2016</u>
Sandy Spring National Bank	\$ 42,538	\$ 42,614
Total	<u>\$ 42,538</u>	<u>\$ 42,614</u>
 <u>CHARGES TO INCOME</u>		
Contractual Services	\$ 3,519	\$ 3,921
Sandy Spring Bank Fees	<u>\$ 459</u>	<u>\$ 460</u>
Total	<u>\$ 3,978</u>	<u>\$ 4,387</u>
 <u>NET INTEREST INCOME</u>	 <u>\$ 38,560</u>	 <u>\$ 38,227</u>