Internal Audit Unit MONTGOMERY COUNTY BOARD OF EDUCATION Rockville, Maryland

September 30, 2020

MEMORANDUM

To:	Mrs. Julia A. Broyles, Chair Centralized Investment Fund Advisory Council
From:	Mary J. Bergstresser, Supervisor, Internal Audit
Subject:	Fiscal Year 2020 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, 2020 (refer to the attachment). These financial statements are the responsibility of the MCPS CIF management team. The Internal Audit Unit staff has the responsibility of sharing opinions on these financial statements based on the audit.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CIF as of June 30, 2020, and the changes in its net assets.

Pertaining to the financial position of the CIF, the ending balance decreased \$8,932 from \$9,983,421 to \$9,974,489, while net interest income decreased \$1,284 from \$121,676 to \$120,390 compared to the previous fiscal year.

The Division of Financial Services staff is responsible for administering the daily functions of maintaining the CIF, in accordance with the established guidelines for the safe and efficient management of its funds in the MCPS Centralized Investment Fund Statement of Investment Policy. 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 September 17, 2020, virtual meeting with you and the CIF advisory council, we discussed a few issues that did not represent material internal control weaknesses. We appreciate the cooperation and assistance of you and staff in the Division of Financial Services including Mr. Robert Reilly, director; and Mrs. Sheila M. Shifflett, staff accountant; and Ms. Susan Lau, senior investment officer from the Division of Investments. No response to this audit report is necessary.

MJB:HT:lsh

Attachment

Copy to:

Members of the Board of Education Dr. Smith Dr. McKnight Dr. Johnson Dr. Wilson Mrs. Ahn Mrs. Camp Mrs. Chen Mr. Marella Mr. Reilly Mr. Tallur Ms. Webb

MONTGOMERY COUNTY PUBLIC SCHOOLS CENTRALIZED INVESTMENT FUND STATEMENT OF ASSETS AND LIABILITIES-AGENCY FUND JUNE 30, 2020 AND 2019

ASSETS:	2020	2019
Cash and investments:		
Sandy Spring Bank-Escrow	\$ 9,973,447	\$ 9,982,335
Sandy Spring Bank-Checking	1,042	1,086
Accounts Receivables-Bank Credit		
Total	\$ 9,974,489	\$ 9,983,421
LIABILITIES		
Accounts Payables for salary expenses	\$ 1,042	\$ 1,086
Due to school groups	9,973,447	9,982,335
Total	\$ 9,974,489	\$ 9,983,421

MONTGOMERY COUNTY PUBLIC SCHOOLS CENTRALIZED INVESTMENT FUND SUPPLEMENTAL INFORMATION FOR THE FISCAL YEARS ENDING JUNE 30, 2020 AND 2019

SOURCE OF INCOME	<u>2020</u>	<u>2019</u>	
Sandy Spring National BankInterest	\$ 125,010	\$ 126,599	
Total	\$ 125,010	\$ 126,599	
CHARGES TO INCOME			
Contractual Services	\$ 4,204	\$ 4,439	
Sandy Spring Bank Fees	417	484	
Total	\$ 4,620	\$ 4,923	
NET INTEREST INCOME	\$ 120,390	\$ 121,676	

Montgomery County Public Schools Internal Audit Unit

CIF Salary and Se				-	men	t to MCPS FY	20	Reconciled							Per emails to treasuryservices@ SSB							
(information from		_	loct S	Stmt)				w/bank		-			prepared by DOC:				r					
Month		onthly Exp ansferred	s	ervice Chg	Sala	ary Exp. Only	Deposit Date		Checks	Reimb to M		Notes:	Month Salary Exps.		Month Salary Exps.		y Exps. Bnk Svc. Ch			Total		
FY2020																						
July	\$	404.53	\$	39.32	\$	365.21	7/31/19	✓					July	\$	365.21	\$	39.32	\$	404.53			
August	\$	330.89	\$	35.70	\$	295.19	8/30/19	✓	6190	\$ 1,0	84.81	2019 4th Quarter payment	August	\$	295.19	\$	35.70	\$	330.89			
September	\$	398.24	\$	33.02	\$	365.22	9/30/19	\checkmark					September	\$	365.22	\$	33.02	\$	398.24			
1st Qtr	\$	1,133.66	\$	108.04	\$	1,025.62								\$	1,025.62	\$	108.04	\$	1,133.66			
October	\$	354.10	\$	35.57	\$	318.53	10/31/19	\checkmark					October	\$	318.53	\$	35.57	\$	354.10			
November	\$	338.26	\$	27.51	\$	310.75	11/29/19	\checkmark	6191	\$ 1,0	25.61		November	\$	310.75	\$	27.51	\$	338.26			
December	\$	392.90	\$	35.47	\$	357.43	12/31/19	✓					December	\$	357.43	\$	35.47	\$	392.90			
2nd Qtr	\$	1,085.26	\$	98.55	\$	986.71								\$	986.71	\$	98.55	\$	1,085.26			
January	\$	476.87	\$	41.65	\$	435.22	1/31/20	✓					January	\$	435.22	\$	41.65	\$	476.87			
February	\$	373.39	\$	39.30	\$	334.09	2/28/20	\checkmark	6192	\$ 9	86.71		February	\$	334.09	\$	39.30	\$	373.39			
March	\$	411.17	\$	30.40	\$	380.77	3/31/20	\checkmark					March	\$	380.77	\$	30.40	\$	411.17			
3rd Qtr	\$	1,261.43	\$	111.35	\$	1,150.08								\$	1,150.08	\$	111.35	\$	1,261.43			
April	\$	283.17	\$	34.66	\$	248.51	4/30/20	\checkmark					April	\$	248.51	\$	34.66	\$	283.17			
May	\$	355.44	\$	29.13	\$	326.31	5/29/20	\checkmark					May	\$	326.31	\$	29.13	\$	355.44			
June	\$	501.14	\$	34.80	\$	466.34	6/30/20	\checkmark	6193	\$ 1,1	50.08		June	\$	466.34	\$	34.80	\$	501.14			
4th Qtr	\$	1,139.75	\$	98.59	\$	1,041.16								\$	1,041.16	\$	98.59	\$	1,139.75			
FY19 Totals	\$	4,620.10	\$	416.53	\$	4,203.57				\$ 4,2	47.21	\$1,041.17 due for 4th Quarter		\$	4,203.57	\$	416.53	\$	4,620.10			
Reimbrused to N	ICPS	(total above	e) - re	econciled:						\$ 4,24	47.21											

FY 2	2020		
Month		Interest	Interest rate
July	\$	11,807.52	1.40%
August	\$	11,719.47	1.40%
September	\$	11,241.29	1.40%
1st Qtr	\$	34,768.28	
October	\$	11,747.51	1.40%
November	\$	11,871.53	1.40%
December	\$	13,764.47	1.40%
2nd Qtr	\$	37,383.51	
January	\$	14,530.68	1.40%
February	\$	13,763.43	1.40%
March	\$	10,904.47	1.04%
3rd Qtr	\$	39,198.58	
April	\$	6,061.13	0.60%
Мау	\$	3,994.95	0.40%
June	\$	3,603.40	0.40%
4th Qtr	\$	13,659.48	
FY20 Totals	\$	125,009.85	

Comparative Analysis of Deposit and Withdrawals										
FY 2020 vs FY2019										
Number of deposits in FY2019 = 61 Total =	\$ 2,000,072.72									
Number of deposits in FY2020 = 57 Total =	\$ 3,814,717.96									
Increase/(Decrease) in deposit total amount FY20 vs. FY19	\$1,814,645.24									

Number of withdrawals in FY2019 = 60	\$ 2,461,380.85
Number of withdrawals in FY2020 = 78	\$ 3,943,537.94
Increase / (Decrease) in withdrawal amounts FY20 vs. FY19	\$ 1,482,157.09

Escrow Management Account Ending Balance June 2019	\$ 9,982,335
Escrow Management Account Ending Balance June 2020	\$ 9,973,448
Change in Balance	\$ (8,887.36)

Commercial Checking Account Ending Balance June 2019	\$ 1,086
Commercial Checking Account Ending Balance June 2020	\$ 1,042
Change in Balance	\$ (44)

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FY 2019-20 CIF Percentage of Income Used to Cover Expenses

	Fi	rst QTR	S	econd QTR		Third QTR		Fourth QTR	Fiscal Year 2020		Fiscal Year 2019		al Year 2020 Fiscal Year		Fiscal Year 2020 Fiscal Year 2019		F	FY20 vs. FY19
	July	y 1, 2019	0	Oct. 1, 2019]	Jan. 1, 2020		1-Apr-20		July 1, 2020		July 1, 2018		Change				
	tł	through		through		through		through		through		through		through				
	Sept. 30, 2019		Dec. 31, 2019		March 31, 2020		30-Jun-20		June 30, 2020		June 30, 2019							
Total Interest Income	\$	34,768	\$	37,384	\$	39,199	\$	13,659	\$	125,010	\$	126,599	\$	(1,589)				
Total Salary and Fringe Expense	\$	1,026	\$	987	\$	1,150	\$	1,041	\$	4,204	\$	4,439	\$	(235)				
Total Bank Charge	\$	108	\$	99	\$	111	\$	99	\$	417	\$	484	\$	(67)				
Percentage of interest earned needed to cover expenses		0.31%		0.26%		0.28%		0.72%		0.33%		0.38%		-0.05%				

FY2020	Salary		Fringe		Tot	al Expense
July	\$	246.93	\$	118.28	\$	365.21
August	\$	199.59	\$	95.60	\$	295.19
September	\$	246.93	\$	118.28	\$	365.21
1st Qtr	\$	693.45	\$	332.16	\$	1,025.61
October	\$	215.37	\$	103.16	\$	318.53
November	\$	210.11	\$	100.64	\$	310.75
December	\$	241.67	\$	115.76	\$	357.43
2nd Qtr	\$	667.15	\$	319.56	\$	986.71
January	\$	294.27	\$	140.95	\$	435.22
February	\$	225.89	\$	108.20	\$	334.09
March	\$	257.45	\$	123.32	\$	380.77
3rd Qtr	\$	777.61	\$	372.47	\$	1,150.08
April	\$	168.03	\$	80.49	\$	248.52
May	\$	220.63	\$	105.68	\$	326.31
June	\$	315.31	\$	151.03	\$	466.34
4th Qtr	\$	703.97	\$	337.20	\$	1,041.17
FY20 Totals	\$	2,842.18	\$	1,361.39	\$	4,203.57

Source: quarterly salary reimbursements prepared by Sheila Shifflett