

Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

June 6, 2018

MEMORANDUM

To: Mrs. E. Lancellotti Dempsey, Associate Superintendent  
Office of Human Resources and Development

From: Roger W. Pisha, Supervisor, Internal Audit Unit 

Subject: Report on Audit of Office of Human Resources and Development, Fiscal Control  
From July 1, 2017, through March 31, 2018

In February 2018, upon your request, the Internal Audit Unit conducted an examination of the fiscal internal controls within the Office of Human Resources and Development (OHRD). 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. OHRD 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 May 29, 2018, meeting with you and your staff—Dr. Yolanda Stanislaus, director; Mr. Timothy D. Thornburg, assistant to associate superintendent; Ms. Robin J. Hart, fiscal specialist; and Mrs. Regina M. McEwen, administrative secretary—we reviewed the status of the conditions described in this audit report. 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 and administrative secretary, and the internal control procedures for travel and recruitment expenditures. We reviewed the respective position job descriptions and list of duties that encompass the fiscal internal controls of OHRD prior to conducting individual interviews with these two employees. When reviewing the list of duties that encompass the fiscal internal controls of OHRD, we found areas of responsibility that are not typically defined as part of fiscal internal controls. These included the fiscal specialist established in the J.P. Morgan online purchase card system as the approving official for all of the director's purchase card transactions, and in FMS as approver for all purchase order transactions without any dollar limitation. In order to strengthen internal controls of OHRD, we recommend that approval for purchase card transactions be at the director's level and approval of purchase orders in FMS be limited to an amount or type of purchase at management's discretion on an annual basis. We noted that the finger printing

department has ceased acceptance of cash for its services and is now using the Online School Payment (OSP) system improving the internal control documentation of these collections.

We noted flaws in financial monitoring with no clear guidelines for timely fiscal documentation review and development of accurate financial data. We found that not all encumbered expenditures were consistently reported to the fiscal specialist to assist her in presenting accurate budget reports to the directors. There also appeared to be a delay in staff members submitting travel receipts for reimbursement. We recommend that all departments work together to gather all necessary information to assist the fiscal specialist in preparing a spreadsheet with up-to-date budget figures for more accurate monitoring and reporting. The department of certification and staffing incurs a large amount of travel expenses due to teacher recruiting. We noted that there were no clear guidelines given to those traveling as to the allowable per diem amounts for meal expenses. We found some MCPS staff were reimbursed over and above the allowable per diem rates and that on travel days, they were reimbursed one hundred percent of expenses instead of the allowable fifty percent. We recommend that you review MCPS Regulation DIE-RA, *Travel for Montgomery County Public Schools (MCPS) Purposes*, and instruct those employees incurring meal expenses of the criteria and procedures.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card Users Guide*. By the fifth business day of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements must be printed and provided to the approver, with all purchase receipts and invoices attached. The approver must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. We noted that the director of the department of certification and staffing had four purchasing cards in her name, and these cards were being used by the administrative secretary to make purchases and pay for travel expenses. We found that the cardholder had not promptly prepared monthly statements, provided purchase receipts, or reviewed transactions in the online reconciliation program. We also found that the approver had not approved all transactions online. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

#### Summary of Recommendations

- Strengthen internal fiscal control by redirecting purchase card approvals and limiting FMS purchase order approvals.
- Develop a process to provide the fiscal specialist with up-to-date expenditure information.
- Improve financial monitoring with monthly fiscal documentation review.
- Review MCPS travel regulations and allowable per diem rates.
- Adhere to MCPS purchasing card guidelines.

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/KMH:lsh

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Tallur

Mr. Ikheloa

**FINANCIAL MANAGEMENT ACTION PLAN**

**Report Date:** FY2018

**Fiscal Year:** FY2018

**School:** Office of Human Resources and Development

**Associate:** Mrs. Lance Dempsey

**Chief Operating Officer:** Dr. Andrew Zuckerman

**Strategic Improvement Focus:**

As noted in the financial audit for the period **February 2018**, strategic improvements are required in the following business processes:

Financial monitoring, travel reimbursement, purchase cards, FMS purchase order approvals

AUDIT RECOMMENDATION	ACTION STEPS	PERSON(S) RESPONSIBLE	RESOURCES NEEDED	MONITORING TOOLS/DATA POINTS	MONITORING: WHO & WHEN	RESULTS/EVIDENCE
Recommendation #1  Strengthen internal fiscal control by redirecting purchase card approvals and limiting FMS purchase order approvals	Fiscal Specialist will create an internal memo, which details the FMS approval process, for distribution by Associate Superintendent	Robin Hart	Created memo	Memo which includes areas of responsibility and authorization limits	Associate Superintendent  Due: 7/11/18	OHRD staff will have a complete understanding of the financial approval chain and established limits to ensure no future audit findings
	Fiscal Specialist will monitor FMS transactions to ensure that approvals are made in accordance with the Associate Superintendent's memo	Robin Hart	Approved memo	Submitted requests within FMS system	Fiscal Specialist  Daily basis	FMS approvals will be made in accordance with internal established guidelines to ensure no future audit findings

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Recommendation #2  Develop a process to provide the Fiscal Specialist with up-to-date expenditure information	Fiscal Specialist will create a form for non-FMS purchases greater than \$50.00 (e.g., recruitment, advertising, retirement, office supplies, etc.)	Robin Hart	Created purchase form	Approved purchase form, which includes a rationale, description of expenditure, and available balance for each category	Associate Superintendent or designee  Due: 7/11/18 COB	Form will establish a process by which non-FMS purchases greater than \$50.00 can be communicated and tracked
	Respective department administrators and/or designees will submit the approved purchase form to Fiscal Specialist for non-FMS purchases greater than \$50.00	Respective department administrators and/or designees	Approved purchase form	Completed form	Fiscal Specialist  Due: Upon approval of purchase by respective department administrators and/or designees	Fiscal Specialist will receive notice of non-FMS purchases greater than \$50.00 for recordation and tracking purposes
	Fiscal Specialist will create a spreadsheet which provides real-time expenditures and available balances for each category (e.g., recruitment, advertising, retirement, office supplies, contractual services, etc.)	Robin Hart	Created spreadsheet  Technical assistance, as needed	Approved spreadsheet, which includes expenditures and available balance for each category	Associate Superintendent or designee  Due: 7/11/18 COB	Fiscal Specialist will be able to provide immediate and accurate information regarding expenditures and available balances for budget line items
	OHRD Trip Boss and/or other MCPS staff will provide Fiscal Specialist with a travel reimbursement form and receipts (pre-trip and post-trip) for individual recruitment events	OHRD Trip Boss and/or other MCPS staff	"Recruitment Trip Request" form  MCPS Form 281-1	Forms submitted within three (3) business days following recruitment event for each recruitment event in which expenses are incurred	Fiscal Specialist  Due: Within three (3) business days following recruitment event	Fiscal Specialist will receive up-to-date expenditure information for accurate and real-time tracking and reporting

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Recommendation #3  Improve financial monitoring with monthly fiscal documentation review	Fiscal Specialist to meet with Associate Superintendent and/or Assistant to Associate Superintendent on weekly basis to review budget expenditures and changes	Robin Hart	Relevant written budgetary information from Fiscal Specialist  Meetings scheduled by Fiscal Specialist in conjunction with appropriate clerical support	Relevant written data submitted by Fiscal Specialist forty-eight (48) hours in advance of meeting  Fiscal Specialist's attendance and participation	Associate Superintendent and/or Assistant to Associate Superintendent  Due: Forty-eight (48) hours in advance of each meeting	Associate Superintendent and/or Assistant to Associate Superintendent will have a complete and timely understanding of overall OHRD budget expenditures and changes
	Fiscal Specialist to meet with OHRD Leadership Team on bi-weekly basis to review budget expenditures and changes	Robin Hart	Relevant written budgetary information from Fiscal Specialist  Meetings scheduled by Fiscal Specialist in conjunction with appropriate clerical support	Relevant written data submitted by Fiscal Specialist forty-eight (48) hours in advance of meeting  Fiscal Specialist's attendance and participation	OHRD Leadership Team  Due: Forty-eight (48) hours in advance of each meeting	OHRD Leadership Team will have a complete and timely understanding of collective budget expenditures and changes
	Fiscal Specialist to meet on monthly basis with respective Directors and/or designees to review budget expenditures and changes	Robin Hart	Relevant written budgetary information from Fiscal Specialist  Meetings scheduled by Fiscal Specialist in conjunction with appropriate clerical support	Relevant written data submitted by Fiscal Specialist forty-eight (48) hours in advance of meeting  Fiscal Specialist's attendance and participation	Respective department administrator and/or designee  Due: Forty-eight (48) hours in advance of each meeting	Department administrators will have a complete and timely understanding of individual department budget expenditures and changes
	Fiscal Specialist to receive written meeting summary notes, including and action items and deadlines	Respective department administrators and/or designees	Meeting notes, including any action items and deadlines	Meeting notes shared within twenty-four (24) hours following aforementioned review meetings	Respective department administrators and/or designees  Due: Twenty-four (24) hours following each meeting	Fiscal Specialist will have a complete and timely understanding of departmental needs and administrative expectations regarding budget

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Recommendation #4  Review MCPS travel regulations and allowable per diem rates	Comptroller's Office will provide training to identified OHRD staff regarding completion of travel reimbursement forms (e.g., Form 281-1)	Director and/or Assistant Director, DCS  Comptroller's Office	Scheduled training with Controller Office  MCPS Board Regulation DIE-RA, other relevant materials provided by Comptroller's Office, and in-house information sheet for recruitment travel	OHRD staff training completion	Director and/or Assistant Director, DCS  Due (training): TBD	OHRD staff will have a complete understanding of travel reimbursement requirements following the Comptroller's training, which will result in no future audit findings
	Trip Boss will provide on-going monitoring of travel reimbursements	Trip Boss	Travel reimbursement information (Form 281-1 with receipts and other related documentation)	Accurate and timely travel reimbursement form completion and submission (Form 281-1 with receipts and other related documentation)	Fiscal Specialist  Due: Within three (3) business days of recruitment event	Forms will be completed in accordance with Comptroller's training and MCPS regulations, which will result in no future audit findings
	Fiscal Specialist will create electronic and hardcopy folders for travel reimbursement recordation and monitoring	Fiscal Specialist	Created summary spreadsheet for collective events to be located in shared folder  Created hardcopy folder for each recruitment event to be located in Fiscal Specialist's office	Approved summary spreadsheet  Created hardcopy folder for each recruitment event	Associate Superintendent or designee  Due (electronic folder): 7/13/18 COB  Due (hardcopy folder): Per recruitment event and upon request for review	Fiscal Specialist will be able to provide accurate and timely information regarding travel reimbursements

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Recommendation #5  Adhere to MCPS purchasing card guidelines	Fiscal Specialist will create a written statement of acknowledgement and understanding regarding JP Morgan purchasing card training and related MCPS purchasing card guidelines	Robin Hart	Created statement of acknowledgement and understanding	Approved statement of acknowledgement and understanding	Associate Superintendent or designee  Due: 7/13/18 COB	Statement will indicate receipt and understanding of purchasing card training and related MCPS purchasing card guidelines by card holders and approvers
	Purchasing cardholders will submit a signed approved statement of acknowledgement and understanding regarding JP Morgan purchasing card training and related purchasing card guidelines	Purchasing card holders and approvers	New purchasing cards for staff  JP Morgan purchasing card training by Comptroller's Office  Approved statement of acknowledgement and understanding	Issuance of new purchasing cards for staff  Completion of JP Morgan purchasing card training  Completion of approved statement of acknowledgement and understanding	Fiscal Specialist  Due (training): Prior to issuance of new purchasing cards to staff  Due (statement): Receipt of approved statement of acknowledgement and understanding from each purchasing card holders and approvers prior to issuance of purchasing cards to staff	Purchasing card holders and approvers will have a complete understanding of and be in compliance with JP Morgan purchasing card training and MCPS purchasing card guidelines

	Fiscal Specialist will create a spreadsheet for tracking monthly purchasing card activities by department	Robin Hart	Created spreadsheet	Approved spreadsheet	Associate Superintendent or designee Due: 7/13/18 COB	Spreadsheet will establish a process for Fiscal Specialist to track purchasing card activities in an accurate and timely manner
	Fiscal Specialist to enter monthly purchasing card activities by department	Robin Hart	Approved spreadsheet	Expenditures entered into spreadsheets accurately and on real time basis	Associate Superintendent or designee Due: Upon request for review	Fiscal Specialist will be able to track and report upon purchasing card activities in an accurate and timely manner  Financial monitoring will reflect actual funds available  Cards available will be used only by card holder  Approval will be completed monthly

**REVIEW & APPROVAL**

Approved       Please revise and resubmit plan by \_\_\_\_\_

Comments:

Deputy:       Date: 7/12/18