


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 30, 2023

MEMORANDUM

To: Dr. Kristen A. Callisto, Acting Executive Director
Montgomery County Educational Foundation

From: Mary J. Bergstresser, Supervisor, Internal Audit Unit 

Subject: Report on Audit of Fiscal Internal Controls related to the Montgomery County Educational Foundation for the period July 1, 2022, through July 31, 2023

In July 2023, the Internal Audit Unit received a request from Montgomery County Public Schools (MCPS) Chief of Staff to conduct an audit of the fiscal internal controls in the Office of MCPS Educational Foundation (foundation). We conducted our audit in accordance with Generally Accepted Auditing Standards to examine a sample of records to verify their accuracy, as well as to assess the effectiveness of financial control procedures for producing timely and accurate financial documentation required for sound decision making. The foundation utilizes the software program Blackbaud to manage the constituent management platform, financial platform and website/donation/payment services. The foundation also utilizes the software program Foundant to manage grants and scholarships. An internal audit does not review every transaction or activity but seeks to provide reasonable assurance that any significant errors or omissions in the financial records are detected.

At our November 16, 2023, meeting with you, and Mr. Mel Leshinsky, chairperson of the foundation, we reviewed the status of the present conditions. It should be noted that your appointment as acting executive director of the foundation was effective July 2023. We have seen improvement in the internal control processes since you have taken over this position. This audit report presents the findings and recommendations resulting from our examination of the foundation records and financial reports for the period designated above.

Findings and Recommendations

Internal control is a process of interconnected policies, regulations, and procedures, as well as employees' attitudes and actions that work together to provide a system of checks and balances to achieve proper authorization of expenditures and safeguarding of assets. The executive director of the foundation is the individual who has the overall responsibility for the financial operations. We noted a weakness of controls over the foundations financial operations resulting in untimely bank deposits and check disbursements, as well as review of all cleared and uncleared checks. We found that checks had been delivered to the foundation office, but had not been processed for deposit until months later. We also found several checks that had not cleared the foundations bank

account for over a year and possibly were never delivered or lost in the mail. We also noted that the foundation had not sent out donor reports for Fiscal Year 2022 or Fiscal Year 2023. We recommend that you establish a process to ensure all checks received by the foundation are deposited timely and that all checks be tracked to verify that they were received by the recipients and cashed in a timely manner. We further recommend that the executive director receive verification that all checks sent for deposit were timely deposited by the accounts receivable department into the foundations bank account.

We noted that the executive director's office is in a completely different office building than the foundations accountant. This leads to checks being hand carried from one office building to another, which delays the deposit process. The same is for when a check needs to be written and approved. These requests are sent to the accountant who then writes the checks and hand delivers them back to the foundation office for signature approval. We recommend that the two offices be located in the same building to minimize the risk of loss.

Notice of Findings and Recommendations

- Checks must be timely remitted to the foundation accountant for deposit.
- Process and procedures need to be developed for stronger internal controls.
- Checks written for scholarships and reimbursements must be cashed timely.
- Foundation office and accountant should be located in the same building.

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*, using the attached action plan, 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.

MJB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Ms. Webb

Mr. Leshinsky

Mr. Leleck

Financial Management Action Plan

Report Date	November 30, 2023	Fiscal Year	2024		
Office	MCPS Educational Foundation, Inc.	Executive Officer	Kristen Wong Callisto, Ed.L.D.		
Strategic Improvement Focus:					
As noted in the audit initiated in July 2023 and concluding in November 2023, strategic improvements are required in the following business processes:					
<ul style="list-style-type: none"> • Checks must be timely remitted to the foundation accountant for deposit • Process and procedures need to be developed for stronger internal controls • Checks written for scholarships and reimbursements must be cashed timely 					
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools/Data Points	Monitoring: Who & When	Results/Evidence
To improve timely deposits and disbursements					
Implement Microsoft Teams and weekly team meetings for enhanced communication between accountant and ASM/ED	Kristen Wong Callisto	Microsoft Teams	None Observed usage of the Teams platform	Executive Director; Daily	Completed.
Correct mail procedures: <ul style="list-style-type: none"> • Single mailing address (PO Box) • Re-key PO Box • MCPSEF staff to check mail • Sign up for Informed Delivery 	Katrina Queen Kristen Wong Callisto	New keys to PO Box	USPS Informed Delivery	Executive Director; Weekly	Completed.
Provide key to MCPSEF CESC Suite 154 to accountant	Katrina Queen	Key to Suite 154	N/A	N/A	Completed.
Locate MCPSEF Foundation staff in same building/building complex (i.e. move to Gude)	Seth Adams Kristen Wong Callisto	Minimum of 3 offices for MCPSEF staff + location for ASM in Gude office complex		Executive Director; Monthly until move is complete	In progress.
Improve disbursement process <ul style="list-style-type: none"> • Fillable Form • Electronic Form • Add to MCPSEF website 	Kristen Wong Callisto	Adobe SmartSheet MCPSEF Website Onboarding procedure		Executive Director; Quarterly	New form is on website under Procedures ; Fillable PDF form is in shared folder for MCPSEF staff

<ul style="list-style-type: none"> • Include in onboarding training for new MCPSEF staff • Train and inform MCPS staff 		Time with MCPS staff			Procedure for disbursement is in MCPSEF procedural manual (OneNote)
<p>Establish procedural norm of deposits and checks within two weeks of receipt; communicate with recipient should there be delays</p> <p>Ensure norm is embedded in onboarding training for new MCPSEF staff</p>	Kristen Wong Callisto	Onboarding procedure	Deposit and check reconciliation processes conducted at least monthly	Executive Director; monthly and during new staff onboarding	Onboarding materials (Still pending)
Draft and adopt signature policy and procedure	Kristen Wong Callisto	Policy and procedure		Executive Director; Weekly Board of Directors; triennially	In progress.
Draft and adopt scholarship and award procedure	Kristen Wong Callisto	Policy and procedure		Executive Director Board of Directors; triennially	In progress.
Explore ACH scholarship payment option	Dennis Bates			Executive Director; Weekly until determination made to use ACH or not	Pending.
MCPSEF to hire temporary staffing to support surge financial transaction windows (e.g. scholarship payments)	Kristen Wong Callisto	Operating budget		Executive Director; Monthly	Yvonne Spencer is willing and available to step in when we need.
MCPSEF to hire administrative secretary	Kristen Wong Callisto	Operating budget Job description			Pending.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools/Data Points	Monitoring: Who & When	Results/Evidence
Process and procedures for internal controls					
Creation of MCPSEF business process and procedures manual	Kristen Wong Callisto	OneNote SharePoint		Executive Director/Weekly	Completed. A OneNote that's linked to the Microsoft Teams
Weekly financial team meetings with accountant, ED, and MCPS financial services director	Kristen Wong Callisto	Microsoft Teams/Zoom OneNote	Meeting minutes	Executive Director/Weekly	Initiated.
Draft and adopt document retention policy	Kristen Wong Callisto	Policy and procedure		Executive Director/Annually	In progress.
Consolidation of MCPSEF record keeping locations and establishment of security procedures for documents with confidential information	Kristen Wong Callisto	SharePoint	DocuWare SharePoint	Executive Director/Weekly but eventually can reduce in frequency	In progress.
Draft and adopt deposit reconciliation procedure (confirm checks deposited)	Kristen Wong Callisto Dennis Bates	Policy and procedure	Financial Edge Bank Statements	Executive Director ASM (administrative secretary when in place) Accountant Monthly	In progress.
Check reconciliation procedure (i.e. review cleared and uncleared checks)	Kristen Wong Callisto Dennis Bates	Policy and procedure	Financial Edge Bank statements	Executive Director ASM (administrative secretary when in place) Accountant Monthly	In progress.