

**MEMORANDUM**

March 8, 2005  
AMV 2004-2005/M125  
AMV 995-1436

TO: Ms. Ofelia San Pedro, Deputy Superintendent  
Business Operations

Mr. Paul Cholak, Chief Personnel Officer  
Human Resources

FROM: Allen M. Vann, Chief Auditor  
Office of Management and Compliance Audits

BY: Julio C. Miranda, District Director  
Office of Management and Compliance Audits



**SUBJECT: AUDIT OF INTERNAL CONTROL PROCEDURES OVER MONIES COLLECTED AT  
NON-SCHOOL DEPARTMENTS**

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At the request from the Chief Personnel Officer, we performed an audit of the internal control procedures for monies collected for various fees in the Human Resource area. We expanded our audit to include other non-school departments that also handle the receipt of monies. This audit does not include internal control procedures over monies collected at the schools that are audited every year. Our primary objectives were to determine whether:

- Internal control environment is adequate and procedures comport with applicable State laws, regulations and School Board rules; and
- Collection of monies is adequately supported by receipts, reconciled, and deposited on a timely basis.

Our audit was conducted in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States.

Our testing concentrated on offices and departments that submit monies to Treasury Management for deposit. While we interviewed personnel and observed the collection process, the overall accuracy of the amounts collected reported by departments were not verified.

Through our inquiries and observations we noted that the offices and departments audited have different procedures for collecting monies; internal controls over the collections could be improved and there are opportunities to make the process more efficient; and there are no written procedures for the collection of monies at District offices and departments.

In contrast, there are procedures used by the schools, which are contained in the Manual of Internal Fund Accounting.

Review of Internal Control Procedures Over  
 Monies Collected At Non-School Departments  
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The following chart shows the amounts collected during the 2003-04 fiscal year by the departments reviewed. Because the collections by the departments result from a wide range of activities, we have also included a summary description of their operations.

<b>Departments Reviewed</b>	<b>Type of Fee Collected</b>	<b>Fiscal Year 2003-04</b>
HR/Risk Management	Insurance programs	\$3,810,139
Business Operations/ Graphics and Materials Production	In-house duplicating center	603,704
HR/ Office of Instructional Certification	Certifications	403,098
HR/ Personnel Operations and Records	Fingerprinting	85,556
HR/ Personnel Operations and Records	Drug screening & records	38,640
Office of Public Relations/Citizens Information	Public records requests	8,619
School Board Clerk's Office	Lobbyist fees	2,750
Business Operations/ Building Operations	Replacement I.D. badges	465
<b>TOTAL</b>		<b>\$4,952,971</b>

**Risk Management**

The Office of Risk Management provides insurance and self-insurance programs covering liability, workers' compensation, property, bonds, and various other coverages as needed. They act as a liaison between the employee and insurance companies. Risk Management does not accept cash but rather checks or money orders from employees that are on leave, COBRA, and for legal claims, TSA service fees, etc. All the monies collected are documented on a spreadsheet and forwarded to Treasury Management with a corresponding transmittal. Internal controls and procedures are generally adequate.

**Graphics and Materials Production**

The Department of Graphics and Materials Production is the in-house center for district-wide duplicating services. The department processes over 500 work requests annually. They use a work order system in which a job estimate is required before a purchase order is issued and a work request form is prepared. Every job gets recorded in a log and the form of payment, which can be internal fund checks from schools or purchase orders from the departments, is matched with it. Graphics does not accept cash and maintains adequate internal controls to ensure every printing job is paid or charged to the originating department.

### **Certification**

The Office of Instructional Certification receives requests from applicants needing certificates for various reasons such as temporary, professional, career specialist, and non-degreed vocational positions. A \$56 processing fee, payable by check or money order, is charged. They do not accept or handle cash. These collections are sent to Treasury Management for deposit. Through our inquiries and observations, we noted that although the Office of Instructional Certification receives many checks and money orders, receipts are not issued nor do they reconcile the monies collected to the deposit. We found this process to be inefficient and lacking internal controls.

### **Fingerprinting**

All applicants for full-time and part-time positions are fingerprinted and the cost is paid by the applicant. The fingerprinting fee is \$71 that includes \$61 for the processing contractor, which can be paid by money order to the contractor, Fingerprinting Services, LLC, or can be prepaid by credit card prior to visiting the M-DCPS Fingerprint Office. The District's processing fee is \$10, which can be paid in cash and a receipt is issued, which provides a level of control. Also, non-instructional M-DCPS applicants may opt for a one-time \$10 payroll deduction from their paycheck, upon completing and signing a payroll deduction form. Through our inquiries and observations, we noted that the manager goes to the credit union and exchanges the cash collected for a bank check almost on a daily basis, which in turn is forwarded to Treasury Management for deposit. Daily cash collections can range up to \$500. We found this process to be time consuming and inefficient.

### **Operations and Records**

This office manages the general drug screening of all applicants for full-time and part-time instructional and non-instructional positions, including administrative, charter schools, leased maintenance, and temporary instructor positions. The office serves as records custodian and houses the official personnel records for the district. The Operations and Records Department charges a \$25 drug-testing fee for charter school employees only. There is no fee for M-DCPS employees. Currently, the department accepts only money orders for payment of these fees. The department also receives checks and/or money orders and issues receipts for copies of records that are requested. All monies are sent to Treasury Management for deposit. The department maintains adequate internal controls.

### **Citizens Information**

The office charges for copies of public records that may require extensive clerical assistance. The fees are collected in cash or checks and receipts are issued, which provides a level of control. Monies collected are kept in a locked box inside the supervisor's office. Through our inquiries and observations, we noted that the manager goes to the credit union and exchanges the cash collected for a bank check and is sent to Treasury Management for deposit. We found this process to be time consuming and inefficient.

### **Lobbyist Fees**

School Board Rule 6Gx13-8C-1.21 requires that any lobbyist or principal conducting any lobbying must register with the School Board Clerk. The Office of the School Board Clerk receives these registration forms with the annual registration fee of \$125, which is paid by check or money order. A copy of the registration form is returned to the payors as their receipt, and a memorandum is sent to Treasury Management with the checks for deposit attached. The School Board Clerk files copies of the documents sent to Treasury Management. Internal controls and procedures are generally adequate.

### **Building Operations**

A fee of \$5 is charged for the replacement of lost I.D. badges. A form, duly signed by the applicant's department head, authorizing issuance of the badge, and picture identification are required for the issuance. Through our inquiries and observations, we noted that no receipt is issued when collecting these monies. On January 20, 2005, we visited the department and cash amounting to \$185 was in a locked box, which was deposited at the auditor's request. The previous deposit to Treasury Management was in April 2004. The department manager also stated that he goes to the credit union and exchanges the cash collected for a bank check and submits it for deposit. We found this process to be time consuming, inefficient, and lacking internal controls.

## **RECOMMENDATIONS**

- 1. Uniform internal control procedures for collection of monies should be established throughout the District. Departments may wish to adopt the same procedures used by the schools, which are contained in the Manual of Internal Fund Accounting.**

**Responsible Departments: Financial Operations/Treasury Management**

#### **Management Response:**

The Office of Treasury Management agrees with the recommendation to establish formalized procedures over Non-School Departments collection of monies from services provided. The Manual of Internal Fund Accounting is geared towards a very decentralized receipting process occurring at the school site. Employees, students & parents are collecting monies to be deposited in the schools Internal Funds accounts. Formalized procedures for Non-School Departments were developed based on The Association of Financial Professional Manual of Treasury Policies, as well as, a review of the current practices at Non-School Departments.

The following guidelines are being recommended to be included in each Non-School Department Procedures Manual and will be included in Treasury Management's Procedures Manual:

### COLLECTION PROCEDURES FOR NON-SCHOOL DEPARTMENTS

1. Payroll deductions are the preferred option for collecting fees from employees.
2. Collections of checks or money orders are preferred over collections of cash.
3. Procedures for collections of checks or money orders:
  - Checks and money orders must be remitted no later than 1 week from receipt.
  - Transmittal memo to Treasury Management must include General Ledger structure.
  - If, General Ledger structure is not known, checks should be remitted timely using 0100-4495-XXXX-0000-4250. The Non-School Department would be responsible for providing the correct structure at a later date. Treasury Management would process the reclassification request.
  - All remittance totaling over 10 checks must be logged. The log can be used in place of a transmittal memo.
  - The Collections Log must include payor name, check # or receipt #, date collected, amount collected, General Ledger structure, and total remittance amount.
  - Logs should be reviewed as to completeness & accuracy
  - Preparer and reviewer must sign Logs.
  - Treasury Management will verify checks/money orders agree to Log totals
  - Individuals paying in person should be issued an official School Board receipt (FM-0976), unless other compensating controls are employed. Use of logs, which are verified against services being provided, would qualify as a compensating control for eliminating the use of receipts. If receipts are used they must be reconciled to total collections per transmittal memo.
4. Procedures for collections of cash:
  - Must be authorized by Treasury Management to collect cash
  - Unless authorized by Treasury Management to collect cash on site, all persons paying by cash are to be directed to Treasury Management with documentation indicating amount being charged.
  - Departments authorized by Treasury Management to collect cash on site must issue official School Board receipts (FM-0976) to each payor. At end of day cash collections must be agreed to receipts issued by supervisor. No later than 9:30 AM of following day cash collections must be remitted to Treasury Management along with transmittal memo and copies of official School Board receipts (FM-0976). Transmittal memo must include breakdown of cash collections by individuals issuing receipts, total cash collections and General Ledger structure
  - Treasury Management staff will collect cash, reconcile to receipts, and issue an official School Board receipt (FM-0976).
5. All remittances are logged daily by Treasury Management staff.

6. All remittances are reconciled to Treasury Management's Log and deposited daily by a separate Treasury Management staff member.
7. A Treasury Management administrator reviews all deposits.

**URGENCY OF CORRECTIVE ACTION**

- Critical  
 Important  
 Desirable

**IMPLEMENTATION SCHEDULE**

- Immediately (Short Term)  
 By \_\_\_\_\_  
 Contingent upon Funding

2. A receipt should always be issued when collecting cash or checks.

**Responsible Departments: Building Operations and Office of Instructional Certification**

**Management Response:**

Building Operations and Office of Instructional Certification have agreed to the proposed formalized procedures over Non-School Departments Collections as stated in Response to Recommendation #1, which include procedures over issuing receipts. Building Operations will process payroll deduction as payment for replacement badges.

**URGENCY OF CORRECTIVE ACTION**

- Critical  
 Important  
 Desirable

**IMPLEMENTATION SCHEDULE**

- Immediately (Short Term)  
 By \_\_\_\_\_  
 Contingent upon Funding

3. All monies should be deposited in a timely manner and deposits should be reconciled to the receipts.

**Responsible Departments: Building Operations, Office of Instructional Certification, and Citizens Information**

**Management Response:**

Building Operations, Office of Instructional Certification, and Citizens Information have agreed to the proposed formalized procedures over Non-School Departments Collections as stated in Response to Recommendation #1, which includes procedures over timeliness of deposits and reconciliation of receipts to deposits.

**URGENCY OF CORRECTIVE ACTION**

- Critical
- Important
- Desirable

**IMPLEMENTATION SCHEDULE**

- Immediately (Short Term)
- By \_\_\_\_\_
- Contingent upon Funding

**4. Departments should forward cash collected directly to Treasury for deposit.**

**Responsible Departments: Treasury Management**

**Management Response:**

Building Operations will process payroll deductions thereby eliminating the need for remitting cash collections. Citizen's Information and Personnel Operations and Records (Fingerprinting) have agreed to the proposed formalized procedures over Non-School Departments Collections as stated in Response to Recommendation #1, which includes procedures over cash collections.

**URGENCY OF CORRECTIVE ACTION**

- Critical
- Important
- Desirable

**IMPLEMENTATION SCHEDULE**

- Immediately (Short Term)
- By \_\_\_\_\_
- Contingent upon Funding

We commend the staff for their cooperation throughout the review process. If you have any questions, please do not hesitate to contact me or Mr. Julio Miranda at (305) 995-1436.

AMV/JCM:cpi

cc: Dr. Rudolph F. Crew  
Mr. Martin Berkowitz  
Mr. Joseph Garcia  
Ms. Carolyn Spaht  
Mr. Eduardo Alfaro  
Mr. Scott Clark  
Mr. Bernadette Poitier  
Mr. Manny Gomez  
Ms. Ileana Martinez

# MEMORANDUM

MANAGEMENT AND  
COMPLIANCE AUDITS

2005 MAR -8 AM 9:49

MAB: 048  
March 7, 2005  
MAB (305) 995-2643

TO: Mr. Allen M. Vann, Chief Auditor  
Office of Management and Compliance Audits.

FROM: Martin A. Berkowitz, Chief Financial Officer  
Financial Operations *MAB*

SUBJECT: **RESPONSES TO AUDIT OF INTERNAL CONTROL PROCEDURES OVER  
MONIES COLLECTED AT NON-SCHOOL DEPARTMENTS CHARGING FOR  
SERVICES**

## RESPONSE TO RECOMMENDATION #1 - FORMALIZED PROCEDURES:

The Office of Treasury Management agrees with the recommendation to establish formalized procedures over Non-School Departments collection of monies from services provided. The Manual of Internal Fund Accounting is geared towards a very decentralized receipting process occurring at the school site. Employees, students & parents are collecting monies to be deposited in the schools Internal Funds accounts. Formalized procedures for Non-School Departments were developed based on The Association of Financial Professional Manual of Treasury Policies, as well as, a review of the current practices at Non-School Departments.

The following guidelines are being recommended to be included in each Non-School Department Procedures Manual and will be included in Treasury Management's Procedures Manual:

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  - o Transmittal memo to Treasury Management must include General Ledger structure.
  - o If, General Ledger structure is not known, checks should be remitted timely using 0100-4495-XXXX-0000-4250. The Non-School Department would be responsible for providing the correct structure at a later date. Treasury Management would process the reclassification request.
  - o All remittance totaling over 10 checks must be logged. The log can be used in place of a transmittal memo.
  - o The Collections Log must include payor name, check # or receipt #, date collected, amount collected, General Ledger structure, and total remittance amount.
  - o Logs should be reviewed as to completeness & accuracy



- Preparer and reviewer must sign Logs.
  - Treasury Management will verify checks/money orders agree to Log totals
  - Individuals paying in person should be issued an official School Board receipt (FM-0976), unless other compensating controls are employed. Use of logs, which are verified against services being provided, would qualify as a compensating control for eliminating the use of receipts. If receipts are used they must be reconciled to total collections per transmittal memo.
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  - Departments authorized by Treasury Management to collect cash on site must issue official School Board receipts (FM-0976) to each payor. At end of day cash collections must be agreed to receipts issued by supervisor. No later than 9:30 AM of following day cash collections must be remitted to Treasury Management along with transmittal memo and copies of official School Board receipts (FM-0976). Transmittal memo must include breakdown of cash collections by individuals issuing receipts, total cash collections and General Ledger structure
  - Treasury Management staff will collect cash, reconcile to receipts, and issue an official School Board receipt (FM-0976).
5. All remittances are logged daily by Treasury Management staff.
6. All remittances are reconciled to Treasury Management 's Log and deposited daily by a separate Treasury Management staff member.
7. A Treasury Management administrator reviews all deposits.

**URGENCY OF CORRECTIVE ACTION**  
*Important*

**IMPLEMENTATION SCHEDULE**  
*Immediately (Short Term)*

**RESPONSE TO RECOMMENDATION #2 - ISSUING RECEIPTS**

Building Operations and Office of Instructional Certification have agreed to the proposed formalized procedures over Non-School Departments Collections as stated in Response to Recommendation #1, which include procedures over issuing receipts. Building Operations will process payroll deduction as payment for replacement badges.

**URGENCY OF CORRECTIVE ACTION**  
*Important*

**IMPLEMENTATION SCHEDULE**  
*Immediately (Short Term)*

**RESPONSE TO RECOMMENDATION #3 – DEPOSITS TIMELY AND RECONCILED TO RECEIPTS**

Building Operations, Office of Instructional Certification, and Citizens Information have agreed to the proposed formalized procedures over Non-School Departments Collections as stated in Response to Recommendation #1, which includes procedures over timeliness of deposits and reconciliation of receipts to deposits.

**URGENCY OF CORRECTIVE ACTION**  
*Important*

**IMPLEMENTATION SCHEDULE**  
*Immediately (Short Term)*

**RESPONSE TO RECOMMENDATION #4 – CASH COLLECTIONS REMITTED DIRECTLY TO TREASURY MANAGEMENT**

Building Operations will process payroll deductions thereby eliminating the need for remitting cash collections. Citizen's Information and Personnel Operations and Records (Fingerprinting) have agreed to the proposed formalized procedures over Non-School Departments Collections as stated in Response to Recommendation #1, which includes procedures over cash collections.

**URGENCY OF CORRECTIVE ACTION**  
*Important*

**IMPLEMENTATION SCHEDULE**  
*Immediately (Short Term)*

Should you have any questions please contact me at 305-995-2643.

MAB:re

cc: Dr. Rudolph F. Crew  
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