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Executive Summary

This audit report summarizes the results of the Office of Auditor General’s Business Process/Turnover Audit of Poplar Tree Elementary School conducted on June 21, 2018. The audit was performed in accordance with the Fiscal Year 2018 audit plan approved by the Fairfax County School Board. The primary objective of the audit was to determine the adequacy of controls and processes in place for managing local school activity funds and appropriated funds during Fiscal Year 2018. There were two reportable findings noted during this audit.

We appreciate the consultation, cooperation, and courtesies extended to our staff by the finance technician and principal of Poplar Tree Elementary School.

Background, Scope and Objectives, and Methodology

Background

All departments and schools are responsible for business processes that support their core mission. These processes include procuring goods and services needed to meet their objectives, processing cash receipts, and processing time sheets and leave requests for employees. For departments, most of these processes are limited to appropriated fund transactions. However, in a school, there are both appropriated fund transactions and local school activity fund transactions.

These audits will be performed on an ad hoc basis depending upon school employee turnover, specifically principals and finance technicians. The potential concern is the inability for the new key school staff members to perform job duties according to the required policies, procedures, and guidance. The primary regulations include, but are not limited to:

- Regulation 5810 School Activity Funds Management
- Regulation 5350 Procurement Card Management
- Regulation 5012 Purchasing Goods and Services Using Appropriated and Nonappropriated Funds

Scope and Objectives

We conducted this audit in accordance with generally accepted government auditing standards, with the exception of peer review. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit covered Fiscal Year 2018 financial activity. The audit’s objectives were to:

- Evaluate the effectiveness of office processes
- Assess compliance with applicable regulations and policies
- Determine if internal controls are adequate and functioning as intended
- Determine if transactions are reasonable and do not appear to be fraudulent
- Review sampled transactions (procurement card, receipt, disbursement, etc.)

To answer the audit objectives the audit team used various methods, including the following:
• Meeting with school based staff
• Reviewing FCPS documents from
• Obtaining laws, rules, and regulations
• Reviewing prior audits and reviews
• Obtaining policies and regulations from the FCPS website

The FCPS Office of Auditor General is free from organizational impairments to independence in our reporting as defined by government auditing standards. The office reports directly to the School Board through the Audit Committee. We report the results of our audits to the Audit Committee and the reports are made available to the public via the FCPS website.

Methodology

The Office of Auditor General’s audit approach assessed the school’s current management of internal controls covering local school activity funds, and appropriated funds. The structure of this audit was designed to assist principals and finance technicians in understanding the question “where are we now?” and what processes and controls must be in place to ensure compliance with FCPS regulations and best practice guidelines moving forward. The audit examined monthly expenditures, records, and statements; reviewed monthly reconciliations; conducted interviews with appropriate employees; with the goal of understanding the school’s current standing moving forward. Information was extracted from Payment Net, Great Plains, and FOCUS for sampling and verification to source documentation during the audit; however, our audit did not include an independent review of system controls.

Audit Findings, Recommendations, and Management’s Responses

The finding within this report has been attributed a risk rating in accordance with established risk criteria as defined in Table 1:

Table 1: Risk criteria

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Controls are not in place or are inadequate. Compliance with legislation and regulations or contractual obligations is inadequate. Important issues are identified that could negatively impact the achievement of FCPS program/operational objectives.</td>
</tr>
<tr>
<td>Moderate</td>
<td>Controls are in place but are not sufficiently complied with. Compliance with subject government regulations or FCPS policies and established procedures is inadequate, or FCPS policies and established procedures are inadequate. Issues are identified that could negatively impact the efficiency and effectiveness of FCPS operations.</td>
</tr>
<tr>
<td>Low</td>
<td>Controls are in place but the level of compliance varies. Compliance with government regulations or FCPS policies and established procedures varies. Issues identified are less significant but opportunities exist that could enhance FCPS operations.</td>
</tr>
</tbody>
</table>
During this audit, OAG identified two low risk findings which are detailed below:

**Finding 1 – Reconciliations**  
**Risk Rating – Low**

**Condition:**  
While reconciliations were being completed, they were not consistently signed and/or dated to evidence approval and timely completion, as follows:

- April 2018 Financial Management Reports (FMR) reconciliations were signed, but not dated by the principal  
- February 2018 Bank account reconciliation was signed, but not dated by the principal

**Criteria:**
- Regulation 5111 *Financial Management Reports (FMR) Reconciliation* establishes the responsibilities and procedures for the reconciliation of the monthly FMR. In addition, the School Finance Handbook states that FMR reports are submitted “for approval and signature by the principal…and retained on site.”
- Regulation 5910 *Monetary Receipts* states, “Bank reconciliations must be performed on a monthly basis. Any ensuing adjustments and corrections must be recorded prior to the following month-end close.” The *School Finance Handbook* provides a detailed explanation of how the reconciliation should be performed.

**Effect:**  
Reconciliations reduce the risk of undetected errors, increase the timeliness of corrections, and provide a confirmation of funds available to be spent for the benefit of students.

**Recommendation:**  
OAG recommends that reconciliations be signed and dated to evidence timely completion and approval.

**Management Response (Actions and Due Date):**  
A management response is not required for this audit. The school will be subject to further review during the annual local school activity fund audit scheduled to be performed later in the year.

**Finding 2 – Cash Receipt - Timely Receipt**  
**Risk Rating – Low**

**Condition:**  
Three checks written to the school between February and March 2018 were not turned in to the finance technician/administrative assistant until April 3, 2018.

- Check 0134 for $10.00 for lost library fees  
- Check 1174 for $8.00 for lost library fees  
- Check 3780 for $6.59 for lost library fees
Criteria:
Regulation 5910 Monetary Receipts states, “when receipts are collected at schools, schools are required to use form FS-131, School Finance Office Collection Form...A list of students with the amounts paid must be attached to the form (and) the funds must be submitted daily along with the form to the school finance office for deposit.” In addition, the School Finance for Teachers guidance, provided by Financial Services, states, “Submit funds collected…to the school finance office on a daily basis.”

Effect:
Daily submission of funds reduces the risk of loss. All funds must be submitted to the school finance office daily.

Recommendation:
OAG recommends that all funds should be submitted to the school finance office on a daily basis to reduce the risk of loss.

Management Response (Actions and Due Date):
A management response is not required for this audit. The school will be subject to further review during the annual local school activity fund audit scheduled to be performed later in the year.