Business Process/Turnover Audit
Fort Belvoir Primary School
Report Number: 18-2526

September 2018

Prepared by
Office of Auditor General

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Executive Summary

This audit report summarizes the results of the Office of Auditor General’s Business Process/Turnover Audit of Fort Belvoir Primary School conducted on July 24, 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 six reportable findings noted during this audit.

We appreciate the consultation, cooperation, and courtesies extended to our staff by the finance technician and principal of Fort Belvoir Primary 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
- 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>
<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>
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During this audit, OAG identified six low risk findings which are detailed below:

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

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

- May 2018 Financial Management Reports (FMR) reconciliations were signed, but not dated by the principal
- May 2018 Financial Management Non-Positon Report (FMR) reconciliation was not electronically approved until July 2018 by the principal
- April 2018 Bank Reconciliation was not completed until June 2018
- April, May, and June 2018 appropriated funds procurement card reconciliations were signed, but not dated by the principal
- April and May 2018 local school activity funds procurement card reconciliations were not signed or 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 5350 *Procurement Card Management* states, “The principal/program manager must ensure that reconciliations are done on a timely basis and must review, sign, and date the reconciliation report.”

**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 – Timely Receipts**
**Risk Rating – Low**

**Condition:**
The timeliness of funds submitted to the finance technician could not be determined because the received date was being completed on the date funds were verified and deposited:
• School finance deposit slip dated 06/14/2018 for $13.00 was not received by the finance technician until 06/15/2018
• School finance deposit slip dated 06/14/2018 for $21.00 was not received by the finance technician until 06/15/2018
• School finance deposit slip dated 06/12/2018 for $47.00 was not received by the finance technician until 06/15/2018
• School finance deposit slip dated 06/12/2018 for $47.55 was not received by the finance technician until 06/15/2018
• School finance deposit slip dated 06/04/2018 for $105.00 was not received by the finance technician until 06/15/2018
• School finance deposit slip dated 06/07/2018 for $15.00 was not received by the finance technician until 06/15/2018
• School finance deposit slip dated 05/23/2018 for $30.00 was not received by the finance technician until 06/15/2018

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.

Finding 3 – Funds and Deficit Balances
Risk Rating – Low

Condition:
The Educational Contingency account (ECA) held a deficit balance of $650.34 at year-end due to the amount of expenditures executed throughout the school year. This balance was not represented on the year-end reports provided by the school.

Criteria:
The *School Finance Handbook* states, “The ECA fund account may not be in a deficit at any point in time.”
Effect:
The Educational Contingency Account (ECA) serves to fund activities that benefit the school. Activities funded by the ECA are in addition to planned activities, which have already been funded through the School Board, and may include unplanned contingencies during the school year.

Recommendation:
OAG recommends that the Educational Contingency Account should not end the year with a deficit balance.

Finding 4 – Pre-Approval of Purchases
Risk Rating – Low

Condition:
While purchase orders were being submitted through the Teacher Online Purchasing System (TOPS), there were no purchase orders on file for the following appropriated fund procurement card purchases at the time of the audit:

- 05/14/18 purchase from the Award Company of America for $323.45
- 05/25/18 purchase from Amazon for $12.74
- 05/26/18 purchase from Amazon for $7.01
- 05/24/18 purchase from American Printing for $95.00
- 05/28/18 purchase from Amazon for $260.26
- 05/30/18 purchase from Amazon for $68.52
- 05/30/18 purchase from Amazon for $267.61
- 06/14/18 purchase from Cintas for $41.66
- 06/22/18 purchase from Cintas for $73.04
- 06/14/18 purchase from Cintas for $63.50

Criteria:
Regulation 5810 School Activity Funds Management states, “A copy of the check, the file copy of the purchase order, if applicable, and supporting documents such as invoices and sales receipts shall be assembled and filed together in all appropriate fund account files as documentation of the disbursement.” The School Finance Handbook states, “All purchases of goods or services made from school activity accounts, including AAF shall be supported by the prior submission and approval of a school purchase order.” “After receiving written evidence for the receipt of the goods or services, the PO, the invoice, and other supporting documentation are to be attached to the check stub for filing.”

Effect:
All purchases must be properly approved to minimize the risk of inappropriate fund usage.

Recommendation:
OAG recommends that purchases should be supported by a properly completed, approved purchase order, an original itemized receipt, and confirmation that items/services were received prior to payment.
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 5 – Insufficient Documentation
Risk Rating – Low

Condition:
No invoice was provided for the Wegmans transaction on 06/08/2018 using the LSAF procurement card for the amount of $46.44.

Criteria:
Regulation 5810 School Activity Funds Management states, “A copy of the check, the file copy of the purchase order, if applicable, and supporting documents such as invoices and sales receipts shall be assembled and filed together in all appropriate fund account files as documentation of the disbursement.”

Effect:
Disbursements made without proper supporting documentation prevents verification of the appropriateness of the amount and items purchased.

Recommendation:
OAG recommends that all expenditures should be supported by a properly completed, approved purchase order and an original itemized receipt.

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 6 – Incorrect Posting-Bank Reconciliation
Risk Rating – Low

Condition:
While the bank reconciliation for the month of June was completed in a timely manner, an incorrect adjusting entry for a transfer was posted. An adjusting entry for $10.00 was made, but the amount should have been $15.00.

Criteria:
The School Finance Handbook provides detailed guidance on how to properly post adjusting entries.

Effect:
Reconciliations reduce the risk of undetected errors and increase the timeliness of corrections. Additionally, reconciliations provide a confirmation of funds available to be spent for the benefit of students.
Recommendation:
OAG recommends that steps be taken to bring the school accounts into balance. The School Finance Handbook provides a detailed explanation of how the reconciliation should be performed.

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.