Business Process/Turnover Audit
Thomas Jefferson High School for Science and Technology
Report Number: 18-2527

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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 Thomas Jefferson High School for Science and Technology conducted on May 31, 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 nine reportable findings noted during this audit.

We appreciate the consultation, cooperation, and courtesies extended to our staff by the finance technician and principal of Thomas Jefferson High School for Science and Technology.

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>
</table>
During this audit, OAG identified one moderate and eight low risk findings which are detailed below:

**Finding 1 – Safeguard of Procurement Cards**
**Risk Rating – Low**

**Condition:**
Procurement card ending 3347 was not on hand at the time of the audit. The card had not been properly checked out on the procurement card log in May 2018, particularly, only the date of checking out (May 21) was mentioned with vendor name “UPS”. The employee name and signature were not listed. In addition, at the time of the audit the card had not been returned and there was no evidence of principal approval to keep the card for an extended period of time.

**Criteria:**
Regulation 5350 Procurement Card Management states that “card custodian must ensure only authorized personnel are issued a procurement card and that the Procurement Card Log is accurately updated.” The Regulation also states that “cards must not be held by employees for extended periods without approval from the principal/program manager.”

**Effect:**
Checking out a procurement card on the log and obtaining approval for extended use decreases the risk of impropriety and increases accountability for school funds usage.

**Recommendation:**
OAG recommends that procurement cards be appropriately signed out on the procurement card log and, if held for an extended period of time, be approved by the principal.

**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 – Insufficient Documentation**
**Risk Rating – Low**

**Condition:**
One procurement card purchase made on 02/23/18 from Advanced Circuits for $1,100 had an invoice 02/14/18, but had no evidence that the goods had been received.

**Criteria:**
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:**
Disbursements made without proper supporting documentation prevents verification of the appropriateness of the amount and items purchased.
Recommendation:
OAG recommends that receipt of goods/services should be indicated on the purchase order, or a notation should be made on the invoice to ensure that purchases are received in an acceptable fashion 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 3 – Reconciliations
Risk Rating – Moderate

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

- September, October, and November 2017 Non-position FMR were all approved after the due date. OAG requested for the non-position FMR for the months from December 2017 through March 2018, such information was not available
- Out of four Position FMR reviewed, September and October 2017 were not dated by principal
- Out of nine non-position FMR online approvals reviewed, seven were approved after the due date
- December 2017 through March 2018 non-position FMR online approval was marked as “certified”; however, printed supporting documents were not available to validate signature, date, and reviews have been taken place
- March 2018 Governor fund procurement card reconciliations were signed by the assistant principal and finance technician, but not dated

(2) No reconciliations were on file for the following appropriated procurement cards disallowing evidence of approval and timely completion, as follows:

- Two appropriated fund procurement card statements and reconciliations were unavailable. The March 2018 procurement card statements and reconciliations for the two cards ending, 0089 and 6145 were not available at the time of the audit. OAG confirmed that there were procurement card activities for both cards in March 2018

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.”
- 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:
Reconciliations should be completed in a timely manner and be signed and dated to evidence timely completion and approval. OAG recommends that a record of reconciliations should be kept on file as it provides a confirmation of funds available to the school.

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 4 – Checks >180 days
Risk Rating – Low

Condition:
Two checks on the bank reconciliation for the month of March 2018 have been outstanding over 180 days:

- Check 003379 dated 09/15/17 to Prince William County Public Schools for $549.60
- Check 003390 dated 09/22/17 to the Classical Association of VA for $36

Criteria:
The School Finance Handbook states, “Checks for large amounts or that are outstanding 180 days should be investigated and voided. If the obligation is still valid, a new payment should be issued. If the payment is no longer valid, void the check and the invoice and provide a written explanation of the void.”

Effect:
Checks that remain outstanding more than 180 days should be investigated in accordance with finance guidelines.

Recommendation:
OAG recommends that checks outstanding greater than 180 days should be reviewed referencing the protocol provided by finance.

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 – Accounting Procedure- Bank Reconciliation
Risk Rating – Low

Condition:
The adjusted book balance detailed in the Bank Reconciliation for the month of March 2018 did not agree with the Trial Balance Summary.
Criteria:
The School Finance Handbook states that, “The adjusted checkbook balance, as of the cutoff date listed on the Reconciliation Posting Journal Report for the month of review, should agree with the amount shown on the Great Plains summary trial balance report for the month being reconciled.”

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.

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 – Monthly Reports
Risk Rating – Low

Condition:
The Trial Balance Summary and the Detail Trial Balance for March 2018 were printed on 05/18/18 and not monthly as required.

Criteria:
The School Finance Handbook states that, “the following reports are to be printed after completing the bank reconciliations for the month just ended: Detailed Trial Balance, Trial Balance Summary, Cash Receipts Register, Cash Disbursements Register (must be signed by the principal).”

Effect:
Printing the corresponding monthly reports reduce the risk of undetected errors and increase the timeliness of corrections. Additionally, it provide a confirmation of funds available to be spent for the benefit of students.

Recommendation:
OAG recommends that the monthly reports should be printed after completing the bank reconciliation for the given month.

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 7 – Fundraising Activities
Risk Rating – Low

Condition:
Fundraising activities are not approved by the principal nor are they approved in writing. Additionally, students collected and deposited funds received from such activities.

Criteria:
Regulation 1370 Fund-Raising requires “The principal shall have the authority to approve fund-raising activities conducted by the total student body, clubs, classes, and other school activity groups. The principal shall also have the authority to approve fund-raising activities sponsored by non-school organizations that involve student participation... “The fundraising approval form to be submitted and approved by the principal. In addition, the regulation states that “students shall not handle funds without direct supervision from sponsor...”Every school sponsored fund-raising activity in which students participate shall have a sponsor who is a member of the school staff.”

Effect:
Approving Fundraisers correctly ensures that all money collected are turned in to the school Principal or his or her designee. It ensures accountability as all funds raised in the name of the school become the property of the school.

Recommendation:
OAG recommends that all fundraising activities taken place within the school should be approved by the principal. Also, direct supervision should be provided to the students when hosting fundraising events.

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 8 – Change Fund Account
Risk Rating – Low

Condition:
The finance office maintains a change fund; however, the check was not made payable to the finance office, it was made payable to an administrative assistant who was not responsible for managing the fund.

Criteria:
The Guidelines for Change Funds, issued by Financial Services and the School Finance Handbook state that “to establish a change fund, a check is issued in the name of the person representing the organization that requires change. The amount of the check should be limited to the amount that will meet the change-making need. The person issued the check is responsible for cashing the check and obtaining the change in the denominations of cash and/or coin needed…The individual who is issued the check is held financially liable for loss or failure to return the money.”

Effect:
Accountability for funds is diminished when the individual receiving funds is not also responsible for the management of funds.

**Recommendation:**
OAG recommends that change funds be managed by the individuals to whom the funds are issued.

**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 9 – Food Sales**
**Risk Rating – Low**

**Condition:**
Bake sales are being conducted during 8th period; however, food sales held less than 30 minutes after the instructional day are prohibited. According to the school’s website the school day starts at 8:40 a.m. and ends at 4:00 p.m. The 8th period occurs during these regular school hours. Additionally, posted fliers at the school indicated that the 8th period attendance was required. Therefore, it appears that the 8th period bake sales are occurring during the regular school day and not 30 minutes after.

**Criteria:**
Regulation 5004 *Food Sales in Schools* states that “Compliance with the “Smart Snack” nutrient guidelines is mandated only during the school day, which includes sales during the first 30 minutes after the end of the instructional day. School or school-sponsored organizations may contract for or offer the sale of food or beverage items after the dismissal bell, including during the 30 minutes after the end of the instructional day, during non-school hours, and on weekends.” In addition, the regulation states that “all income from sale of food and beverages prior to the dismissal bell in the cafeteria area or in other locations in the building shall accrue to the Food and Nutrition Services Fund.”

**Effect:**
Funds collected may be incorrectly allocated.

**Recommendation:**
OAG recommends that clarification be obtained, and documented, as to whether the timing and required attendance of the 8th period day makes it part of the instructional day for the purposes of food sales.

**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.