Business Process/Turnover Audit
Centreville Elementary School
Report Reference Number:  19-13433

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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 at Centreville Elementary School conducted on November 12, 2018. The audit was performed in accordance with the Fiscal Year 2019 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 FY 2019. There were two moderate and one low risk findings identified during the audit.

We appreciate the consultation, cooperation, and courtesies extended to our staff by the administrative assistant and principal at Centreville 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 and processing cash receipts. 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 administrative assistants. The potential concern is the inability for the new key school staff members performing 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 FY 2019 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

To answer the audit objectives the audit team used various methods, including the following:
Meeting with school-based staff
• Reviewing relevant laws, rules, FCPS policies and regulations
• Reviewing prior audits and reviews
• Testing sampled transactions (procurement card, receipt, disbursement, etc.)

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 administrative assistants in understanding “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>Risk Criteria</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>High (one or more of these exists)</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 program/operational objectives.</td>
</tr>
<tr>
<td>Moderate (one or more of these exists)</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 operations.</td>
</tr>
<tr>
<td>Low (one or more of these exists)</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 operations.</td>
</tr>
</tbody>
</table>

Starting in FY19, all completed Business Process/Turnover Audits with findings in which the risk ratings are deemed moderate or high will require a management response. During this audit, OAG identified two moderate and one low risk findings which are detailed below:
Finding 1 – Reconciliations
Risk Rating – Moderate

Condition:
While reconciliations were being performed, they were not completed in timely manner, as follows:

- Two appropriated procurement card reconciliations for one of the three months sampled were not approved by the principal by the specified deadline. Specifically, we noted that the reconciliations for the month of August 2018 related to the Instructional Services and Staff Development accounts were not signed and dated by the principal until October 8, 2018.
- The bank reconciliation for one of the three months sampled was not approved by the principal in a timely manner as the August 2018 bank reconciliation was not signed and dated by the principal until October 8, 2018.

Criteria:
- 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:
OAG recommends that reconciliations be signed and dated to evidence timely completion and approval.

Management Response (Required):
A management response is required for this finding due to the moderate risk rating. In addition, the school will be subject to further review during the annual local school activity fund audit scheduled to be performed later in the year and continuous audit procedures conducted throughout the year.

<table>
<thead>
<tr>
<th>Planned Action</th>
<th>Expected Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>The administrative assistant agrees with the finding, and in the future administrative assistant will ensure that all bank reconciliations and procurement card reconciliations are approved and signed by the Principal prior to the following month-end close. The administrative assistant also agrees with the expected completion date.</td>
<td>April 30, 2019</td>
</tr>
</tbody>
</table>
Finding 2 – Cash Receipts-Timely Deposits  
Risk Rating – Moderate

Condition:  
Two out of the ten school deposit slips totaling $215 were not deposited to the bank in a timely manner, as follows:

- RCT000308415 for $165.00, received by the administrative assistant on September 25, 2018 but not deposited in the bank until October 5, 2018.
- RCT000308416 for $50.00, received by the administrative assistant on September 25, 2018, but not deposited in the bank until October 5, 2018.

Criteria:  
Regulation 5910 *Monetary Receipts* states that “Amounts totaling $25 or less must be deposited within 10 business days. Amounts exceeding $25 should be deposited daily, if possible, and must be deposited within 5 business days.”

Effect:  
Timely deposits reduce the risk of loss. All receipts should be deposited in a timely manner.

Recommendation:  
OAG recommends that all funds should be deposited in a timely manner to reduce the risk of loss.

Management Response (Required):  
A management response is required for this finding due to the moderate risk rating. In addition, the school will be subject to further review during the annual local school activity fund audit scheduled to be performed later in the year and continuous audit procedures conducted throughout the year.

<table>
<thead>
<tr>
<th>Planned Action</th>
<th>Expected Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>The administrative assistant agrees with the finding, and in the future the administrative assistant will do her best to ensure that all funds are deposited within 5 business days of receipt. The administrative assistant also agrees with the expected completion date.</td>
<td>April 30, 2019</td>
</tr>
</tbody>
</table>

Finding 3 – Cash Receipts –Timely Receipts  
Risk Rating – Low

Condition:  
One of the ten school deposit slips sampled was not submitted to the administrative assistant in a timely manner, as follows:

- School finance deposit slip dated October 3, 2018 for $28.00 was not received by the administrative assistant until October 4, 2018.
Criteria:
Regulation 5910 Monetary Receipts states, “schools are required to use form FS-131, School Finance Office Collection Form. This form can be ordered through the DIT forms catalog in FOCUS. A list of students with the amounts paid must be attached to the form. The funds must be submitted daily along 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, along with the completed School Finance Office Deposit Slip (FS-131) and the duplicate copies of the Activity Receipts or class list, to the school finance office on a daily basis. Do not keep money in your classroom overnight or when you are not there. If using a class list, be sure to make a copy to keep with the teacher records.”

Effect:
Timely receipt reduces the risk of lost and stolen funds. All receipts should be submitted to the finance officer in a timely manner.

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 (Not Required):
A management response is not required for this finding due to the level of risk rating. The school will be subject to further review during the annual local school activity fund audit scheduled to be performed later in the year continuous audit procedures conducted throughout the year.