Business Process/Turnover Audit
Willow Springs Elementary School
Report Reference Number: 19-13424

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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 Willow Springs Elementary School conducted on November 14, 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 was one low risk and one moderate risk finding identified during the audit.

We appreciate the consultation, cooperation, and courtesies extended to our staff by the administrative assistant and principal at Willow Springs 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>
<thead>
<tr>
<th>Table 1: Risk criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High</strong> (one or more of these exists)</td>
</tr>
<tr>
<td><strong>Moderate</strong> (one or more of these exists)</td>
</tr>
<tr>
<td><strong>Low</strong> (one or more of these exists)</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 one low risk and one moderate finding which are detailed below:
Finding 1 – Reconciliations
Risk Rating – Low

Condition:
While bank reconciliations were being completed, the bank reconciliation for one of the three months sampled lacked sufficient evidence of timely approval by the principal. Specifically, the September 2018 bank reconciliation was signed but not dated by the principal.

Criteria:
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 (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.

Finding 2 – Bank Reconciliation
Risk Rating – Moderate

Condition:
While bank reconciliations were being conducted, the reconciliations were not properly completed. During our review of two of the three months sampled, we revealed the following discrepancies:

- The adjusted book balance detailed in the bank reconciliation for the month of September 2018 did not agree with the Trial Balance Summary. A difference of $47.00 was noted.
- The adjusted book balance detailed in the bank reconciliation for the month of October 2018 did not agree with the Trial Balance Summary. A difference of $26.00 was noted.

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, increase the timeliness of corrections, and 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 as reconciliations provide a confirmation of funds available to be spent for the benefit of students.

**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>
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<tbody>
<tr>
<td>Since these occurrences, our balances have matched and are currently in agreement.</td>
<td>April 30, 2019</td>
</tr>
<tr>
<td>Per guidance from my Financial Analyst, should the adjusted bank balance and summary trial balance not agree in the future the following steps will be taken:</td>
<td></td>
</tr>
<tr>
<td>1. Research and determine the reason for the difference.</td>
<td></td>
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<tr>
<td>2. Document the reason for the difference and attach to the reconciliation.</td>
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<tr>
<td>Additionally, the administrative assistant will contact the Financial Analyst for further guidance as needed.</td>
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</tr>
<tr>
<td>Notes to file will be created for any instances where the administrative assistant is on leave or money was turned in, and secured, after the administrative assistant’s departure for the day.</td>
<td></td>
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