Business Process/Turnover Audit
Little Run Elementary School
Report Reference Number: 19-13133

January 2019

Prepared by
Office of Auditor General

8115 Gatehouse Road, Suite 5500
Falls Church, VA 22042
# Table of Contents

- Executive Summary ........................................................................................................................................ 3
- Background, Scope and Objectives, and Methodology .............................................................................. 3
  - Background .................................................................................................................................................. 3
  - Scope and Objectives ................................................................................................................................. 3
  - Methodology .................................................................................................................................................. 4
- Audit Findings, Recommendations, and Management’s Responses ........................................................... 4
Executive Summary

This audit report summarizes the results of the Office of Auditor General’s Business Process/Turnover Audit at Little Run Elementary School conducted on November 19, 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 risk 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 Little Run 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 assistant. 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 assistant 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>Table 1: Risk criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High</strong>&lt;br&gt;(one or more of these exists)</td>
</tr>
<tr>
<td><strong>Moderate</strong>&lt;br&gt;(one or more of these exists)</td>
</tr>
<tr>
<td><strong>Low</strong>&lt;br&gt;(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 two moderate risk and one low risk findings which are detailed below:
Finding 1 – Reconciliations
Risk Rating – Moderate

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

- The appropriated procurement card reconciliations for two of the three months sampled were not dated as evidence of timely review by the principal including:
  - August 2018 reconciliation for cards ending in 2769, 6749
  - September 2018 reconciliation for cards ending in 2769, 6749, and 1084
- An appropriated procurement card reconciliation for one of the three months sampled was not reviewed in a timely manner. Specifically,
  - August 2018 reconciliation for card ending in 1084 was not dated by the principal until October 10, 2018.
- The Financial Management Reports (FMR) for three of the three months sampled were not approved timely to include:
  - July 2018 FMR was not approved until September 11, 2018.
  - August 2018 FMR was not approved as of the date of the audit.
  - September 2018 FMR was not approved as of the date of the audit.
- The bank reconciliations for three out of the three months sampled were not signed and/or dated, as follows:
  - August 2018 bank reconciliation could not be located therefore, we were unable to determine timely approval and completion. The Administrative assistant was able to re-print and sign the August bank reconciliation while we were onsite, however, that document does not include the approval of the principal.
  - September 2018 Bank Reconciliation was signed but not dated by the principal
  - October 2018 Bank Reconciliation was not signed or dated by the principal or administrative assistant.

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:
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 has created a chart to keep an accurate account of when each month's JP Morgan statements (LSAF/Appropriated), bank statement, and FMR are available for review.</td>
<td>April 30, 2019</td>
</tr>
<tr>
<td>Principal will add FMR reconciliation availability and due dates to her calendar.</td>
<td>April 30, 2019</td>
</tr>
<tr>
<td>The Administrative Assistance and Principal will confirm that they sign and date the papers after reviewing.</td>
<td>April 30, 2019</td>
</tr>
<tr>
<td>The Administrative Assistant has changed the filing system for bank reconciliation to monthly versus by report. This should reduce the risk of misplacing signed reports.</td>
<td>April 30, 2019</td>
</tr>
</tbody>
</table>

Finding 2 – Pre-Approval for Purchases
Risk Rating – Moderate

Condition:
Four out of 29 purchases sampled totaling $169.98 were not pre-approved by the principal, to include the following:

<table>
<thead>
<tr>
<th>Item</th>
<th>Purchase Type</th>
<th>Account</th>
<th>Date</th>
<th>Vendor</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Appropriated procurement card</td>
<td>IS</td>
<td>8/17/2018</td>
<td>Safeway</td>
<td>$10.23</td>
</tr>
<tr>
<td>2</td>
<td>Appropriated procurement card</td>
<td>IS</td>
<td>8/21/2018</td>
<td>Amazon</td>
<td>$95.97</td>
</tr>
<tr>
<td>3</td>
<td>Appropriated procurement card</td>
<td>IS</td>
<td>8/30/2018</td>
<td>Amazon</td>
<td>$17.05</td>
</tr>
<tr>
<td>4</td>
<td>Appropriated procurement card</td>
<td>IS</td>
<td>9/19/2018</td>
<td>Amazon</td>
<td>$46.73</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>$169.98</td>
</tr>
</tbody>
</table>

Criteria:
The School Finance Handbook states, “All purchases of goods or services made from school activity accounts, including Advanced Appropriated Funds (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 purchase order (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 (Required):**
A management response is required for this finding due to the moderate 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 and continuous audit procedures conducted throughout the year.

<table>
<thead>
<tr>
<th>Planned Action(s)</th>
<th>Expected Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Administrative Assistant will ensure that all POs are signed by the principal before purchase, as opposed to only receiving a verbal and/or email approval before purchasing and having the PO signed later.</td>
<td>April 30, 2019</td>
</tr>
</tbody>
</table>

**Finding 3 – Incorrect Fund Usage**

**Risk Rating – Low**

**Condition:**
Procurement card transactions totaling $213.89 were charged to Instructional Supplies fund account, however, the purchases were for food that was distributed to staff members.

**Criteria:**
Regulation 5810 School Activity Funds Management states, "Cash disbursements from an account shall reflect the purpose for which the account was established." The School Finance Handbook states that "Fund expenditures should support the appropriate instructional program to the extent deemed necessary by the principal."

**Effect:**
When incorrect accounts are used for purchases, account integrity is lost and funds are not properly spent on students.

**Recommendation:**
The purpose of accounts should be reviewed to ensure appropriate fund sources are used for purchases and guidelines are followed.

**Management Response (Not Required):**
A management response is not required for this finding. 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.