Office of Auditor General
Fiscal Year (FY) 2019 Mid-Year Report

February 2019

Prepared by
Office of Auditor General

8115 Gatehouse Road, Suite 5500
Falls Church, VA 22042
February 11, 2019

TRANSMITTAL LETTER

TO: Members of the Fairfax County School Board

SUBJECT: Office of Auditor General FY 2019 Mid-Year Report

The Office of Auditor General (OAG) is pleased to present its first issuance of the FY 2019 Mid-Year Report. The purpose of this report is to raise awareness of OAG’s mission and accomplishments, highlight the internal audit process within Fairfax County Public Schools (FCPS), as well as share the results of recent audits and communicate upcoming projects.

Accomplishments and Results
OAG promotes accountability and transparency through independent audits and reviews and conducts outreach to FCPS employees. OAG completed all assignments per the FY 2018 audit plan on time and continues to track open audit recommendations. We manage an anonymous fraud, waste and abuse hotline and perform a timely review of inquiries received. We continue to focus on growing internal leaders and providing relevant professional development. In FY 2019, OAG has completed the implementation of Pentana, an audit management software, which enhances audit efficiency and effectiveness, improves internal management reporting, and automates many existing tasks.

Looking Forward
As of December 31, 2018, we are on track to complete all FY 2019 audit assignments as planned. OAG continues to refine the internal audit process at FCPS by improving efficiencies and enhancing performance audits through data analytics. The FY 2020 Risk Assessment process is currently in progress and serves as a vital mechanism to provide feedback on the identification of potential future audit topics. We encourage all members of the School Board and Audit Committee as well as FCPS management to provide input into the annual risk assessment process.

In closing, OAG would like to thank the Fairfax County School Board and members of the Audit Committee for their continued support as well as FCPS Superintendent and Leadership Team for fostering a collaborative work environment that promotes Fairfax County Public Schools achievement of its strategic goals, particularly in the area of resource stewardship.

Sincerely,

Esther Ko, CPA, CIA, CFE
Auditor General
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**Appendix – Risk Criteria**
Office of Auditor General (OAG) provides audit services to the Fairfax County School Board. OAG reports to the Fairfax County School Board’s Chairman and Audit Committee.

OAG is considered an essential element in achieving the mission, goals, and objectives of the school division by delivering innovative and respected audit, advisory, investigative services and risk assurance to protect Fairfax County Public Schools (FCPS) as a leader in student achievement.

OAG maintains an independent, professional, and cooperative relationship with the administration of FCPS.

OAG’s mission is to independently determine whether the ongoing processes for controlling fiscal and administrative operations and performance throughout FCPS are adequately designed, functioning in an efficient, effective manner, and fully accountable to the citizens of Fairfax County.

OAG functions include the following four main pillars of responsibility:
Risk Assessment

Each year the annual Risk Assessment and Audit Plan are presented to and approved by the School Board. Audits are selected in those areas of greater risk and opportunity for improvement; considerations include financial impact, reputational and operational risks, benchmarking, prior audit results, as well as potential for control enhancements, cost savings, and service improvements. In addition, audit areas are selected based on School Board and management requests.

Internal Audit

Upon completion of the risk assessment process, as illustrated above, audits are performed in phases, beginning with research to obtain an understanding of the areas to be audited, testing of controls, issuing a report, and following up on the implementation of management’s actions. Lines of communication are open to all parties involved throughout the audit process.

Audit Planning

Planning is the phase where the auditor obtains a comprehensive understanding of the audit topic to finalize the scope and objectives. OAG reviews written procedures, memoranda, organization charts, regulations, and budgets. Program staff are interviewed to collect, summarize, and evaluate information that will be used to identify potential audit issues and develop an audit program. A thorough planning is essential to a successful audit.

One of the critical procedures during the audit planning stage is to identify relevant risk areas. This helps limit the amount of testing required, as well as
produces a more cost-effective, timely, and relevant audit. The objectives of risk identification are to:

- Identify the major risks or threats associated within the program
- Conduct a preliminary assessment of the internal controls that management has in place to mitigate those threats
- Develop an audit program to test areas of highest vulnerability

**Audit Execution (Fieldwork)**

Fieldwork involves testing and evaluating key controls of the functions being audited. Auditors use a variety of review techniques including observing, interviewing, sampling, analyzing, and verifying to determine whether controls are adequate and whether operations are conducted in an efficient and effective manner. Sufficient evidence will be developed to support audit findings\(^1\) and recommendations for improvement.

**Audit Reporting**

Reporting begins with a written draft report. This draft report is discussed with departmental management at an exit conference to review findings and observations. Departmental management provides feedback and comments on the draft. Meanwhile, OAG verifies that each statement of fact in the report is supported in the audit working papers. These processes help ensure that the report is balanced and accurate. The final audit report summarizes key issues, findings, recommendations, and includes management's response. Audit reports are issued to the School Board Audit Committee, the appropriate leadership team member, and departmental management. The reports are public documents and are available in BoardDocs and OAG’s webpage.

**Audit Recommendation Follow-Up**

Follow-Up is a periodic review in which the progress and implementation status of agreed upon improvements are assessed and validated. Upon completion of a review, OAG issues a memo to the School Board Audit Committee and recipients of the original report indicating the status of the recommended actions.

**Fraud, Waste, and Abuse Hotline**

As stated in Regulation 1410, *Procedures for Reporting and Investigating Embezzlement, Fraud, Waste or Abuse, and Other Financial Wrongdoing*, the Auditor General is authorized to receive and preliminarily review (and as necessary investigate, either directly or in conjunction with internal investigators of the Department of Human Resources) credible reports of waste, fraud, and abuse, where observed or reasonably believed to have occurred, involving any FCPS employee or FCPS assets if such has caused or is likely to cause injury to the school division.

OAG provides FCPS employees and the general public a confidential means for reporting suspected wrongdoing involving fraud, waste, and abuse of school assets and resources.

\(^1\) Findings are rated in accordance with the risk rating chart in Appendix.
Hotline Inquiries and Investigations

Violations include, but are not limited, to the following:

- theft or misuse of school funds or property
- serious abuse of FCPS time such as unauthorized time away from work, falsification of work hours reported, or excessive use of county time for personal business
- neglect of duties or responsibilities, noncompliance with FCPS policies and regulations

OAG takes all complaints and reports seriously and make every effort to investigate reports in accordance with applicable laws, codes, policies, or regulations.

Fraud, Waste & Abuse Hotline:
(571) 423-1333 (anonymous voicemail)
InternalAudit@fcps.edu (email is not anonymous)

Outreach and Education

OAG may work in an advisory capacity with the Superintendent and staff members in evaluating internal controls in new or existing systems, training staff members in financial controls and audit principles, or directing staff members to other resources within and outside FCPS who can help improve program controls and operations.

Training and Education

From July 1 through December 31, 2018, OAG provided seven presentations to nearly 300 FCPS personnel, including FCPS school administrators and departmental personnel. During FY 2018, OAG provided 13 presentations to nearly 500 FCPS employees.

FY 2019 OAG training and education topics include: Intro to OAG, OAG FY 2019 Updates, FY 2018 Key Audit Outcomes, and FY 2018 Local School Activity Fund (LSAF) Highlights.

Audit Buzz

OAG’s periodical, Audit Buzz, provides an update into our office’s work by summarizing the results of completed audit projects, describing upcoming audits, and providing insight into other audit-related tasks. The newsletter, which can be found on OAG’s webpage, is also distributed via the weekly Employee News and Infogram shortly after publishing. Subscriptions to Audit Buzz are available via FCPS News You Choose. With over 350 current subscribers, OAG continues to grow the Audit Buzz subscriber base by seeking additional exposure outlets.

The most recent edition of Audit Buzz, published on December 3, 2018, summarized results of the FY 2018 local school activity funds (LSAF) audit, provided an update on OAG’s implementation of Pentana, an audit software, and described current and future OAG work. New faces within OAG were also recognized.
OAG Results

During FY 2019, OAG remains hard at work fulfilling our mission of promoting FCPS’ achievement of its strategic goals by independently determining whether ongoing processes for controlling fiscal and administrative operations and performance throughout FCPS are adequately designed, functioning in an efficient, effective manner, and fully accountable to Fairfax County citizens. The results of tasks completed through December 31, 2018 are summarized below.

FY 2018 Local School Activity Fund (LSAF) Financial Statement Audit

In accordance with the FY 2018 audit plan and the Code of Virginia (8VAC20-240-40), OAG performed an audit of FCPS school activity accounts for the period from July 1, 2017 to June 30, 2018. The primary purpose of the audit was to determine if cash balances were properly stated as of June 30, 2018, but an important secondary purpose was to determine the level of compliance with policies and procedures. The school activity accounts were examined as of year-end at the 204 sites in the division.

In OAG’s opinion, the financial statements were presented fairly and were properly stated as of June 30, 2018. While we did not note any findings that had a material effect on the financial statements, our review of the schools identified exceptions related to compliance with policies and procedures. The number of exceptions per school ranged from no exceptions to more than 10 exceptions, as follows:

- No Exceptions; 110
- 5 or less Exceptions; 60
- 6 to 10 Exceptions; 19
- More than 10 Exceptions; 15

\(^2\) Cash includes all cash and cash equivalents: currency, coins, and checks.
During the audit, we examined compliance with policies and procedures in the following areas:

(A) Cash Receipts

(B) Cash Disbursements

(C) Accounting Procedures

We identified the following number of **schools with (A) cash receipts exceptions**:

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insufficient Documentation</td>
<td>8</td>
</tr>
<tr>
<td>Timely Receipt</td>
<td>7</td>
</tr>
<tr>
<td>Timely Deposit</td>
<td>5</td>
</tr>
</tbody>
</table>

We identified the following number of **schools with (B) cash disbursements exceptions**:

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Approval of Purchases</td>
<td>22</td>
</tr>
<tr>
<td>Insufficient Documentation</td>
<td>12</td>
</tr>
<tr>
<td>Prompt Payment Obligations</td>
<td>8</td>
</tr>
<tr>
<td>Improper Use of Vendor or Funds</td>
<td>6</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
</tr>
</tbody>
</table>
We identified the following number of schools with (C) accounting procedures exceptions:

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconciliation</td>
<td>51</td>
</tr>
<tr>
<td>Fund &amp; Deficit Balances</td>
<td>46</td>
</tr>
<tr>
<td>Safeguarding of Assets</td>
<td>12</td>
</tr>
<tr>
<td>Checks &gt;180 days</td>
<td>11</td>
</tr>
<tr>
<td>Incorrect Account Usage</td>
<td>5</td>
</tr>
<tr>
<td>Other</td>
<td>9</td>
</tr>
</tbody>
</table>

In FY 2019, OAG will assess the risk level of LSAF exceptions and request management responses on those with a moderate or high risk rating.

Business Process/Turnover Audits (BPTA) for Schools

As of December 31, 2018, seven BPTAs had been completed. The primary objective of these audits was to determine the adequacy of controls and processes in place for managing local school activity funds (LSAF) and appropriated funds. BPTAs are performed on an ad hoc basis dependent upon school employee turnover, generally principals and finance technicians. Findings identified during BPTAs are similar to the exceptions identified during the LSAF audits.

For the seven schools, approximately $0.8M of appropriated funding was allotted at the beginning of FY 2018 and FY 2018 non-appropriated [LSAF] cash receipts and disbursements totaled approximately $2.02M and $1.97M, respectfully.

We identified 33 findings during the seven BPTAs:
Of the 33 findings identified, three finds were rated moderate and 30 were rated low. The three moderate findings were related to reconciliations that were not timely and/or incomplete and insufficient documentation.

In FY 2019, OAG will assess the risk level of BPTA findings and request management responses on those with a moderate or high risk rating.

In accordance with the FY 2019 audit plan, OAG completed a performance audit of Instructional Services (ISD) and Information Technology (DIT) specific contracts in December 2018.

During the audit, OAG identified one finding related to the assignment of contract management responsibilities. Additionally, OAG identified two observations, which were classified as such due to Office of Procurement Services’ (OPS) role in the contract management and procurement processes as well as the reasonableness of the purchases. The two observations are related to contract amendments not being executed prior to departmental purchases and sole source procurement method not being appropriately justified.

While the focus of this audit was on the contract management and procurement processes specifically within ISD’s and DIT’s span of responsibility, OAG found that OPS plays an active role in both areas.

Overall, both ISD and DIT demonstrated appropriate contract management responsibilities; however, OAG identified a disconnect between the departments and OPS as it relates to the assignment of contract management responsibilities for certain contracts. This disconnect, which was rated as a moderate finding, could negatively impact the efficiency and effectiveness of FCPS operations as departments may be unaware of contract management responsibilities for certain contracts. As the root cause of this finding can be attributed to the lack of FCPS regulations related to the assignment of contract management responsibility, the Chief Operating Office (COO) took ownership and is leading the charge to coordinate the corrective action process. COO agrees that assigning an owner for procurement processes should be included in a regulation.

Additionally, OAG performed analysis on the number of recent sole source contract awards within each department and noted that the utilization of the sole source procurement method has trended downward during recent fiscal years. Specifically, ISD has increased competitive procurements during the past two fiscal years, and DIT continues to utilize sole source as the exception.

In December 2017, FCPS Office of Procurement Services (OPS) issued a Request for Proposal (RFP) on behalf of OAG for audit management software to replace the current paper-based process with an integrated, paperless approach for managing the entire audit cycle. Throughout the current fiscal year, OAG has successfully implemented and continues to refine the audit software, Pentana, in an effort to enhance audit efficiency and effectiveness. See illustration of Pentana project timeline below.
The software will become OAG’s audit system of record and will provide for dynamic management reporting, strengthened controls over audit, and will automate many existing tasks.

Additionally, the software allows for OAG to more effectively track and follow-up on management recommendations and corrective actions, as well as the Fraud, Waste, and Abuse Hotline inquiries.

**Pentana Implementation Timeline**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2018</td>
<td>Contract Awarded</td>
</tr>
<tr>
<td>March 2018</td>
<td>RFP Closed</td>
</tr>
<tr>
<td>December 2017</td>
<td>RFP Issued</td>
</tr>
<tr>
<td>August 2018</td>
<td>Pentana went Live</td>
</tr>
<tr>
<td>July 2018</td>
<td>Onsite Training and Configuration</td>
</tr>
</tbody>
</table>

**Fraud, Waste, and Abuse Hotline**

Between July 1 and December 31, 2018, OAG has received 11 inquiries via the fraud, waste and abuse hotline, the InternalAudit@fcps.edu e-mail account, direct mails, or walk-ins. All inquiries received prior to July 1, 2018 were closed.

<table>
<thead>
<tr>
<th>Inquiry Areas</th>
<th>Open</th>
<th>Closed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conflict of Interest</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Documentation</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Human Resources</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Not related to fraud, waste, and abuse at FCPS</td>
<td>0</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Procurement</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Residency</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Use of Assets</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Vendor/Contractual Execution</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>2</strong></td>
<td><strong>9</strong></td>
<td><strong>11</strong></td>
</tr>
</tbody>
</table>


For some inquiries (particularly Human Resources related), OAG’s work was limited to providing the information to appropriate individuals responsible for taking action and for reporting closure to OAG.

On October 24, 2018, OAG presented on the status of audit recommendations and corrective actions to the Audit Committee. In the presentation, we summarized the progress and implementation status of agreed upon corrective actions identified during the audit process. Of the 54 recommendations presented at the meeting, 38 recommendations had been closed while 16 remained open.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Audit</th>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>2017</td>
<td>Asset Management II - Student Transportation</td>
<td>15</td>
</tr>
<tr>
<td>2017</td>
<td>Online Campus</td>
<td>1</td>
</tr>
<tr>
<td>2018</td>
<td>Substitute Management</td>
<td>16</td>
</tr>
<tr>
<td>2018</td>
<td>Private Transportation</td>
<td>2</td>
</tr>
<tr>
<td>2018</td>
<td>Cenergistic Review</td>
<td>1</td>
</tr>
<tr>
<td>2018</td>
<td>IT Cybersecurity External Vulnerability³</td>
<td>-</td>
</tr>
<tr>
<td>2018</td>
<td>Workers Compensation</td>
<td>9</td>
</tr>
<tr>
<td>2018</td>
<td>Contracting and Procurement</td>
<td>3</td>
</tr>
<tr>
<td>2018</td>
<td>Facilities Maintenance</td>
<td>5</td>
</tr>
<tr>
<td>2018</td>
<td>Adult and Community Education (ACE)</td>
<td>2</td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td>54</td>
</tr>
</tbody>
</table>

Additionally, OAG presented the status of the FY 2015 Contract Management audit recommendations. After receiving management feedback and validating supporting documentation, OAG deemed it appropriate to close the recommendations.

³ Due to the confidential nature of this report and exemption from the Freedom of Information Act requirements, the details of this report were not made available to the public. A final follow-up was completed in the early fall 2018 and OAG verified actions were taken to close these recommendations at that time.
In-progress and Upcoming OAG Projects

Business Process/Turnover Audits (BPTA) for Schools

These audits are performed on an ad hoc basis depending upon school employee turnover, generally principals and finance technicians. 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 objectives of BPTA are to:

- Evaluate the effectiveness of office processes and compliance with applicable regulations and policies
- Determine if controls are adequate and functioning as intended
- Review sampled transactions including procurement card, receipts and disbursements

The scope of BPTA covers procurement, revenues, disbursements, and reconciliations.

Currently, OAG estimates completing 20 BPTAs in FY 2019, but this may fluctuate based on actual turnover and OAG staffing resource availability. OAG reports BPTA results to the Audit Committee.

Use of Trades and Staffing Reserve Audit

FCPS staffing resources are governed by the School Board approved staffing formula. Trades and staffing reserve are two discrete ways where flexibility is provided to FCPS in managing the allocated resources based upon the actual school needs. Both trades and staffing reserve, are overseen by the FCPS Financial Services and Human Resources offices.

Areas of potential concern are the effective and efficient use of the trades and staffing reserve, and whether usage is consistent with applicable federal, state and FCPS policies and regulations. The preliminary audit objectives are to determine total value and trend information on the practice of trading funds/positions allocated for a specific purpose but re-directed to a different purpose; to understand trades and staffing reserve policies and evaluate their applications; to compare and contrast use of trades and staffing reserve amongst FCPS schools and departments; and to assess the operating effectiveness of internal controls. This performance audit began in October 2018 and is estimated to take six months to complete.

Trades

The FCPS trade process provides principals and program managers with the flexibility to use allocated staffing and funding in a manner consistent with their individual school or department needs. FCPS Regulation 5135 establishes procedures and guidelines for principals and program managers to reallocate funds available as a result of vacant positions. Provided they maintain certain standards, and with justification, principals and program managers have the flexibility to reallocate funds to meet unanticipated needs. Requests must be renewed annually. During FY 2016, at the school level, approximately $38M of funding was traded
between instructional staffing allocation and other areas such as textbooks, office supplies, and non-instructional staffing. This activity equated to 783 instructional and non-instructional positions being affected.

**Staffing Reserve**

Each year the budget includes teacher and instructional assistant positions and related funding as a contingency for staffing requirements that exceed existing allocations and are identified after the budget is finalized. The staffing reserve has been used to (a) increase classroom positions at schools when enrollment exceeds projections; (b) address unique special education circumstances; (c) help reducing/eliminating combination classes at the elementary school level; and (d) address large class sizes. Positions are allocated during scheduled staffing meetings and the majority of general education adjustments occur in the months of August and September. Positions may be returned to the staffing reserve when enrollment does not meet projections. In total, as of November 2017, all 469 staffing reserve positions were utilized, totally approximately $34M.

**Medicaid Reimbursement Program Audit**

The Individuals with Disabilities Education Improvement Act (IDEA), a federal public law, requires state education agencies (such as FCPS) provide certain education and related medical services to students who have disabilities that adversely affect their ability to obtain a free and appropriate public education. Effective July 1, 1997, FCPS became an authorized Medicaid provider. As such, FCPS can bill Medicaid for services provided to Medicaid/Family Access to Medical Insurance Security (FAMIS) disabled and eligible students. FCPS' Medicaid reimbursement program is a way for local school divisions to draw down Federal Title XIX funds for health-related services being provided to eligible students receiving special education services. During FY 2017, FCPS received approximately $4.4M of Medicaid reimbursement.

An area of potential concern is the under-utilization of Medicaid reimbursements to cover eligible costs incurred by FCPS. The preliminary audit objectives are to assess whether FCPS Medicaid Reimbursement program follows the relevant compliance requirements; determine if EasyTrac, the system established in 2015 to generate Medicaid claims for submission to the Virginia Department of Medical Assistance Services, serves its intended purpose; and to evaluate the effectiveness of FCPS’ process to identify qualifying students for Medicaid benefits. This performance audit began in January 2019 and is estimated to take four months to complete.

**Payroll Oversight and Process Audit**

Payroll expenditure is the largest type of expenditure for FCPS. The actual payroll expenditure for FY 2017 was approximately $1.7B. The Office of Payroll Management (OPM) is responsible for all wage payments and deductions for FCPS employees. This audit will focus on the controls and processes managed by OPM.

Areas of potential concern are risks associated with incorrect input of payroll information and incorrect calculation of salaries and applicable deductions. The preliminary objective for this audit is to determine whether payroll practices were in
compliance with applicable federal and state requirements, established FCPS policies, regulations and procedures, and whether these practices and relevant internal controls effectively reduce the risk of potential payroll irregularities. The risk of payments to fictitious employees or to employees for work not performed, will not be addressed in this audit, as this risk is managed outside of OPM. This performance audit is scheduled to begin in February 2019 and is estimated to take four months to complete.

**Safety and Security Compliance Audit**

FCPS focuses on meeting the needs of over 189,000 students from preschool through 12th grade, while managing 198 schools and centers as of FY 2018. Maintaining compliance with safety and security is a critical mission of FCPS.

An area of potential concern is noncompliance with state mandated safety and security regulations. The preliminary audit objective is to perform a compliance audit to validate whether FCPS follows the Code of Virginia (22.1-279.8) and the relevant requirements, and meets the school safety reporting requirements of the Virginia Department of Education. In particular, this Code of Virginia requires that all schools in Virginia complete an annual safety audit via the Virginia Safety Audit Program, and develop a "school crisis, emergency management, and medical emergency response plan". This performance audit is scheduled to begin in March 2019 and is estimated to take four months to complete.

Financially, per the FY 2017 FCPS budget, there were approximately $11M school-based safety and security assistants and specialists. In addition, there were four safety and security programs totaling approximately $7.6M that impact student safety:

- Safety and Environment Health - $1.3M (Facilities and Transportation Services (FTS))
- Safety and Security Management - $0.6M (FTS)
- Security – $3.8M (FTS)
- Student and Wellness - $1.9M (Department of Special Services)

**FY 2020 Risk Assessment and Audit Plan**

Annually, OAG conducts an independent risk assessment, regarding the financial, operational and reputational risks faced by FCPS. OAG develops its annual audit plan based upon the risk assessment results.

The risk assessment and annual audit plan prioritize auditable areas by evaluating the risks associated with each area. The risk factors used to assess each area include:

- Financial impact of the audit area
- Potential reputational and operational risks driven by:
  - Quality of internal controls and the likelihood of errors
  - Complexity of the audit area
  - Turnover of key personnel and stability in management
  - Inputs received from the School Board and FCPS employees (including Leadership Team)
  - Relevant risks faced by other public school systems
- Frequency and results of prior audits and reviews conducted by OAG or other external agencies
- Opportunity for improvement

OAG expects to complete the FY 2020 Risk Assessment and Audit Plan in accordance with the following schedule between September 2018 and July 2019:

<table>
<thead>
<tr>
<th>Task</th>
<th>Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Identification of potential audit topics</td>
<td>September – November</td>
</tr>
<tr>
<td>2. FCPS employees’ inputs</td>
<td>December – February</td>
</tr>
<tr>
<td>3. School Board and Audit Committee inputs</td>
<td>March</td>
</tr>
<tr>
<td>4. OAG drafting of FY 2020 risk assessment</td>
<td>April</td>
</tr>
<tr>
<td>audit plan document</td>
<td></td>
</tr>
<tr>
<td>5. Audit Committee meeting discussions</td>
<td>May – June</td>
</tr>
<tr>
<td>6. School Board review and approval</td>
<td>July</td>
</tr>
</tbody>
</table>

In accordance with the Code of Virginia (8VAC20-240-40), all Local School Activity Funds (LSAF) (i.e. including all the approximate 200 FCPS sites) shall be audited annually no later than the end of the following fiscal year. There were a total of $22.2M and $22.8M LSAF as of June 30, 2017 and June 30, 2018, respectively. These financial audits require verification of the local school financials and year-end (i.e. June 30) cash reporting are not materially misstated. In addition, OAG reviews selected revenue and expenditure transactions to ensure that these transactions are processed according to the applicable FCPS policies, regulations or guidance. Procurement card audits are part of the audit scope, where OAG examines transactions made using non-appropriated funds. OAG will perform continuous auditing procedures, which include testing of controls by sampling transactions throughout the school year, as part of the FY 2019 School Activity Funds audit.
### Appendix – Risk Criteria

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>One or more of the following exists: 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>One or more of the following exists: 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>One or more of the following exists: 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>