Business Process/Turnover Audit
Hayfield Secondary School
Report Reference Number: 19-13180

March 2019

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 Hayfield Secondary School conducted on January 10, 2019. The audit was performed in accordance with the Fiscal Year (FY) 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 one moderate and one low risk findings identified during the audit.

We appreciate the consultation, cooperation, and courtesies extended to our staff by the finance technicians and principal at Hayfield Secondary 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 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 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 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>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 FY 2019, 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 moderate and one low risk findings which are detailed below:
Finding 1 – Cash Receipts- Sufficient Documentation
Risk Rating – Moderate

Condition:
Eight of the 17 School Finance Deposit Slips (FS-131) sampled totaling $1,597.00 out of $2,906.00 in December 2018 lacked sufficient documentation ensuring verification of funds were received, as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Receipt #</th>
<th>Date Collected</th>
<th>Date Received</th>
<th>Date Deposited</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>RCT000340388</td>
<td>December 14, 2018</td>
<td>December 14, 2018</td>
<td>December 21, 2018</td>
<td>$21.00</td>
</tr>
<tr>
<td>2</td>
<td>RCT000340393</td>
<td>December 14, 2018</td>
<td>December 14, 2018</td>
<td>December 21, 2018</td>
<td>$310.00</td>
</tr>
<tr>
<td>3</td>
<td>RCT000340395</td>
<td>December 14, 2018</td>
<td>December 14, 2018</td>
<td>December 21, 2018</td>
<td>$120.00</td>
</tr>
<tr>
<td>4</td>
<td>RCT000340401</td>
<td>December 17, 2018</td>
<td>December 17, 2018</td>
<td>December 21, 2018</td>
<td>$5.00</td>
</tr>
<tr>
<td>5</td>
<td>RCT000340404</td>
<td>December 15, 2018</td>
<td>December 15, 2018</td>
<td>December 21, 2018</td>
<td>$737.00</td>
</tr>
<tr>
<td>6</td>
<td>RCT000340408</td>
<td>December 17, 2018</td>
<td>December 17, 2018</td>
<td>December 21, 2018</td>
<td>$139.00</td>
</tr>
<tr>
<td>7</td>
<td>RCT000340415</td>
<td>December 17, 2018</td>
<td>December 17, 2018</td>
<td>December 21, 2018</td>
<td>$40.00</td>
</tr>
<tr>
<td>8</td>
<td>RCT000340418</td>
<td>December 19, 2018</td>
<td>December 19, 2018</td>
<td>December 21, 2018</td>
<td>$225.00</td>
</tr>
</tbody>
</table>

Total: $1,597.00

Total Receipts Sampled: $2,906.00

Criteria:
The *School Finance Handbook* states that, “Documentation of cash receipts is an essential component of the recording of revenue.” In addition, the *School Finance for Teachers* guidelines states that “The FT/AA must then verify the teacher deposit, record information in the accounting system, and deposit funds in the bank.”

Effect:
Complete documentation for cash receipts ensures accurate posting of funds and reduces the risk of misappropriation.

Recommendation:
OAG recommends that the School Finance Deposit Slip (FS-131) contain all required detail to ensure funds are accurately recorded for the benefit of the students submitting the funds.

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 deposit on 12/21/18 balanced to the total cash receipt for that day. The finance technician inadvertently did not mark that the funds were verified. Moving forward a second person will review the cash receipts that make up the deposit to ensure that the forms have proper signatures.</td>
<td>May 31, 2019</td>
</tr>
</tbody>
</table>

**Finding 2 – Accounting Procedures- Checks Outstanding Greater than 180 Days**

**Risk Rating – Low**

**Condition:**
Three checks totaling $1,171.26 on the bank reconciliation for December 2018 have been outstanding over 180 days, as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Check Number</th>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>05415</td>
<td>March 11, 2018</td>
<td>$800.00</td>
</tr>
<tr>
<td>2</td>
<td>05504</td>
<td>April 11, 2018</td>
<td>$286.10</td>
</tr>
<tr>
<td>3</td>
<td>05527</td>
<td>April 21, 2018</td>
<td>$85.16</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td><strong>$1,171.26</strong></td>
</tr>
</tbody>
</table>

**Audit Comment:**
At the time of the audit, the finance technician was in the process of properly voiding the checks. Specifically, check 05504 and 05527 were voided onsite. Check 05415 was being furthered investigated by the finance technician.

**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:**
All checks should be cleared promptly to ensure all funds are available for use to support student activities.

**Recommendation:**
OAG recommends that checks that remain outstanding more than 180 days should be investigated in accordance with finance guidelines.

**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.