Business Process/Turnover Audit
Pulley Career Center
Report Reference Number: 19-13215

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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 Pulley Career Center conducted on January 22, 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 two low risk findings identified during the audit.

We appreciate the consultation, cooperation, and courtesies extended to our staff by the finance technician and principal at the Pulley Career Center.

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 1: Risk criteria

<table>
<thead>
<tr>
<th>Risk Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</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</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</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 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 two low risk findings which are detailed below:
Finding 1 – Cash Disbursements- Preapproval for Purchases
Risk Rating – Moderate

Condition:
(1) One of the 20 procurement card purchases sampled totaling $380.00 out of $2,039.11 had a purchase order (PO) approved after the purchase on January 22, 2019. The supporting invoice was billed on December 01, 2018, 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>December 1, 2018</td>
<td>BrainPOP</td>
<td>$380.00</td>
</tr>
</tbody>
</table>

Total $380.00
Total Expenditures Sampled $2,039.11

(2) Two of the 20 procurement card purchases sampled totaling $99.29 out of $2,039.11 had a PO approved to acquire Clorox wipes and coolers for the usage of a classroom. While those goods were purchased, the supporting itemized receipts evidenced other goods purchased that were for the benefit of the classroom but not in accordance with the purpose for which the PO was approved for, 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>November 14, 2018</td>
<td>Walmart</td>
<td>$84.10</td>
</tr>
<tr>
<td>2</td>
<td>Appropriated Procurement Card</td>
<td>IS</td>
<td>November 15, 2018</td>
<td>Walmart</td>
<td>$15.19</td>
</tr>
</tbody>
</table>

Total $99.29
Total Expenditures Sampled $2,039.11

(3) Two of the 20 procurement card purchases sampled totaling $70.77 out of $2,039.11 had a PO approved for the amount of $60.00 to acquire cooking materials for the usage of an instructional activity. The supporting itemized receipts evidenced an excessive amount of $10.77, 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>Non-Appropriated Procurement Card</td>
<td>SA1</td>
<td>October 30, 2018</td>
<td>Giant</td>
<td>$66.77</td>
</tr>
<tr>
<td>2</td>
<td>Non-Appropriated Procurement Card</td>
<td>SA1</td>
<td>October 30, 2018</td>
<td>Giant</td>
<td>$4.00</td>
</tr>
</tbody>
</table>

Total $70.77
Total Expenditures Sampled $2,039.11

Criteria:
- The School Finance Handbook states, “All purchases of goods or services made from school activity accounts, including 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 PO, the invoice, and other supporting documentation are to be attached to the check stub for filing."
• Regulation 5810 *School Activity Funds Management* states, “Use school activity funds solely in accordance with the purpose for which such funds were collected and support the overall educational experience of students.”

• The *School Finance Handbook* states, “Prices entered on the form should be exact if known, or the closest estimate possible. If an estimate is used, it should be noted as such.”

• The *School Finance Handbook* states, “When the invoice is received and if the estimate is lower than the actual cost, the actual cost should be written on the PO along with the principal’s signature and date stating “O.K. to pay.”

**Effect:**
All purchases must be properly approved to minimize the risk of inappropriate fund usage.

**Recommendation:**
OAG recommends that purchases should be properly approved and be in accordance with the original purpose indicated on the PO.

**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>Pulley Administration will provide procurement card users with a checklist of reminders about appropriate use of the card each time the card is requested. In addition, Pulley Administration will provide a set of reminders about procurement card usage via Pulley’s weekly staff email.</td>
<td>May 31, 2019</td>
</tr>
</tbody>
</table>

**Finding 2 – Cash Disbursements- Sufficient Documentation**

**Risk Rating – Low**

**Condition:**
Two of the 30 disbursements sampled totaling $11.18 out of $2,249.11 were made without proper supporting documentation. There were no purchase orders and/or invoices/receipts on file to support the amount charged or provide evidence of what was purchased, as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Disbursement Type</th>
<th>Account/ Check Number</th>
<th>Date</th>
<th>Payee</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>LSAF Procurement Card</td>
<td>SA1</td>
<td>October 26, 2018</td>
<td>Walgreens</td>
<td>$7.18</td>
</tr>
<tr>
<td>2</td>
<td>Appropriated Procurement Card</td>
<td>IS</td>
<td>October 01, 2018</td>
<td>Apple iTunes</td>
<td>$4.00</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$11.18</strong></td>
</tr>
</tbody>
</table>

**Total Expenditures Sampled** $2,249.11
Criteria:
Regulation 5810 School Activity Funds Management states, “The principal will approve all disbursements provided proper supporting documentation such as a pre-approved purchase order and related invoice are submitted. Reimbursements for purchases made or committed without the prior submission of a school purchase order may be declined by the principal.” “A copy of the check, the file copy of the purchase order, if applicable, and supporting documents such as invoices and sales receipts shall be assembled and filed together in all appropriate fund account files as documentation of the disbursement.”

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

Recommendation:
OAG recommends that all expenditures should be supported by a properly completed, approved purchase order and an original itemized receipt.

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.

Finding 3 – Accounting Procedures- Reconciliations
Risk Rating – Low

Condition:
While reviewing appropriated procurement card reconciliations, one of the three procurement card reconciliations sampled was not reviewed in a timely manner. Specifically, the Pulley Vocational procurement card reconciliation with a closing date of October 27, 2018 was not reviewed by the principal until December 4, 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.”

Effect:
Reconciliations reduce the risk of undetected errors and increase the timeliness of corrections. Additionally, reconciliations provide a confirmation of funds available to be spent for the benefit of students.

Recommendation:
OAG recommends that reconciliations be completed in a timely manner.

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.