Business Process/Turnover Audit
Westgate Elementary School
Report Reference Number: 19-13075

March 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 Westgate Elementary School conducted on January 11, 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 five moderate and three 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 Westgate 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 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> (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 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 five moderate and three low risk findings which are detailed below:
Finding 1 – Accounting Procedures- Reconciliations
Risk Rating – Moderate

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

- The Financial Management Reports (FMR) for two of the three months sampled were not approved timely through the Online Application. Specifically:
  - October 2018 FMR was not approved until December 3, 2018. The completion date set by Financial Services (FS) for October 2018 was November 30, 2018
  - September 2018 FMR was not approved until November 9, 2018. The completion date set by FS was October 31, 2018
- The FMR for three of the three months sampled were not signed and dated by the principal. Specifically:
  - November 2018 FMR
  - October 2018 FMR
  - September 2018 FMR
- An appropriated procurement card reconciliation for one of the three months sampled was not reviewed in a timely manner. Specifically:
  - November 2018 reconciliation for Instructional Supplies card was not reviewed by the principal until January 7, 2019

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.”
- Regulation 5111 Financial Management Reports (FMR) Reconciliation establishes the responsibilities and procedures for the reconciliation of the monthly FMR.
- The School Finance Handbook states that FMR reports are submitted “for approval and signature by the principal” and “retain[ed] on site.” Additionally, The School Finance Handbook states that “the principal should review and sign the FMR1110 – Financial Management Report and approve the Non-Position Report through the online application.”

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 signed and dated to evidence timely completion and reviewed in a timely manner.

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.
### Planned Action(s)

<table>
<thead>
<tr>
<th>Planned Action(s)</th>
<th>Expected Completion Date</th>
</tr>
</thead>
</table>
| - Meeting times between principal and administrative assistant have been set to review FMR each month.  
  - For timeliness, administrative assistant was unfamiliar with process. She has since familiarized herself more with the process, requested additional onsite training from Gatehouse, and has completed FMRs on time.  
  - Administrative assistant understands that in addition to the online format, the original paper FMR must be signed and has followed through with this on the following months FMR.  
  - Procurement card statement was not available until Nov 27, therefore due on Dec 27. The information was gathered but the principal didn’t sign until the first day back from Winter break. | May 31, 2019 |
Finding 3 – Cash Disbursements- Sufficient Documentation  
Risk Rating – Moderate

Condition:
Two of the 30 disbursements sampled totaling $2,814.75 out of $11,891.57 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-Check Disbursement</td>
<td>00694</td>
<td>October 29, 2018</td>
<td>JP Morgan Chase Bank NA</td>
<td>$2,784.75</td>
</tr>
<tr>
<td>2</td>
<td>Non-Appropriated procurement card</td>
<td>SA1</td>
<td>December 12, 2018</td>
<td>Starbucks</td>
<td>$30.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total $2,814.75</td>
</tr>
</tbody>
</table>

Total Expenditures Sampled $11,891.57

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:
Disbursements made without proper supporting documentation prevents verification of the appropriateness of the amount and items purchased.

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

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.
Finding 4 – Cash Receipts- Sufficient Documentation  
Risk Rating – Moderate

Condition:  
Seven out of seven School Finance Deposit Slips (FS-131) sampled totaling $670.62 lacked sufficient detail. There was no indication of the students’ names, account title, and/or account number to which the funds where to be deposited into, so verification of account appropriateness could not be determined, 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>RCT000332071</td>
<td>November 29, 2018</td>
<td>November 29, 2018</td>
<td>December 5, 2018</td>
<td>$79.00</td>
</tr>
<tr>
<td>2</td>
<td>RCT000332083</td>
<td>November 29, 2018</td>
<td>November 29, 2018</td>
<td>December 5, 2018</td>
<td>$485.74</td>
</tr>
<tr>
<td>3</td>
<td>RCT000333965</td>
<td>December 4, 2018</td>
<td>December 4, 2018</td>
<td>December 5, 2018</td>
<td>$48.00</td>
</tr>
<tr>
<td>4</td>
<td>RCT000333971</td>
<td>December 4, 2018</td>
<td>December 4, 2018</td>
<td>December 5, 2018</td>
<td>$5.00</td>
</tr>
<tr>
<td>5</td>
<td>RCT000333977</td>
<td>December 4, 2018</td>
<td>December 4, 2018</td>
<td>December 5, 2018</td>
<td>$6.00</td>
</tr>
<tr>
<td>6</td>
<td>RCT000334149</td>
<td>December 4, 2018</td>
<td>December 4, 2018</td>
<td>December 5, 2018</td>
<td>$45.00</td>
</tr>
<tr>
<td>7</td>
<td>RCT000334890</td>
<td>December 4, 2018</td>
<td>December 4, 2018</td>
<td>December 5, 2018</td>
<td>$1.88</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total $670.62</td>
</tr>
</tbody>
</table>

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 sponsor collecting the funds should print their name on the top line, enter date funds collected, the name of the account to which funds should be deposited, the fund account number, the purpose (activity) for which the funds where collected, and the amount of money being turned in (currency, coin, checks, and total).”

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. 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>- Administrative assistant has prepared a completed sample for the staff to review. - Administrative assistant has also made changes to her process to ensure that the entire deposit slip is filled in.</td>
<td>May 31, 2019</td>
</tr>
</tbody>
</table>

**Finding 5 – Cash Disbursements- Pre-Approval for Purchases**

**Risk Rating – Moderate**

**Condition:**
(1) Nine of the 30 disbursements sampled totaling $4,994.75 out of $11,891.57 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>November 29, 2018</td>
<td>Wegmans</td>
<td>$57.98</td>
</tr>
<tr>
<td>2</td>
<td>Appropriated procurement card</td>
<td>IS</td>
<td>December 18, 2018</td>
<td>DEMCO</td>
<td>$237.70</td>
</tr>
<tr>
<td>3</td>
<td>Non- Appropriated procurement card</td>
<td>SA1</td>
<td>November 28, 2018</td>
<td>Amazon</td>
<td>$14.50</td>
</tr>
<tr>
<td>4</td>
<td>Non- Appropriated procurement card</td>
<td>SA1</td>
<td>November 28, 2018</td>
<td>Amazon</td>
<td>$139.14</td>
</tr>
<tr>
<td>5</td>
<td>Non- Appropriated procurement card</td>
<td>SA1</td>
<td>November 29, 2018</td>
<td>Amazon</td>
<td>$74.52</td>
</tr>
<tr>
<td>6</td>
<td>Non- Appropriated procurement card</td>
<td>SA1</td>
<td>December 14, 2018</td>
<td>Safeway</td>
<td>$18.99</td>
</tr>
<tr>
<td>7</td>
<td>Non- Appropriated procurement card</td>
<td>SA1</td>
<td>December 13, 2018</td>
<td>Bowl of America</td>
<td>$30.00</td>
</tr>
<tr>
<td>8</td>
<td>LSAF-Check Disbursement</td>
<td>00704</td>
<td>November 26, 2018</td>
<td>Scholastic Book Fairs</td>
<td>$3,773.92</td>
</tr>
<tr>
<td>9</td>
<td>LSAF-Check Disbursement</td>
<td>00705</td>
<td>December 13, 2018</td>
<td>Fairfax County Park Authority</td>
<td>$648.00</td>
</tr>
</tbody>
</table>

**Total** $4,994.75

**Total Expenditures Sampled** $11,891.57
(2) Two of the 30 disbursements sampled totaling $65.85 out of $11,891.57 had purchase orders (PO) on file but when the procurement of goods were made, different vendors were utilized than those indicated on the approved PO, to include the following:

<table>
<thead>
<tr>
<th>Item</th>
<th>Purchase Type</th>
<th>Account</th>
<th>Date</th>
<th>Vendor Approved</th>
<th>Vendor Used</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Appropriated procurement card</td>
<td>IS</td>
<td>November 29, 2018</td>
<td>My Parking Sign</td>
<td>Amazon</td>
<td>$20.70</td>
</tr>
<tr>
<td>2</td>
<td>Appropriated procurement card</td>
<td>IS</td>
<td>December 18, 2018</td>
<td>Amazon</td>
<td>School Specialty</td>
<td>$45.15</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$65.85</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total Expenditures Sampled</td>
</tr>
</tbody>
</table>

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.”

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>-Administrative assistant always had prior verbal approval, however, purchase order may not have been signed until later date due to timing. This process has been corrected between administrative assistant and principal so only items with signed purchase order are ordered.</td>
<td>May 31, 2019</td>
</tr>
</tbody>
</table>

Finding 6 – Accounting Procedures- Checks Outstanding Greater than 180 Days
Risk Rating – Low

Condition:
Two checks totaling $43.99 on the bank reconciliation for the month of 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>00639</td>
<td>February 5, 2018</td>
<td>$29.99</td>
</tr>
<tr>
<td>2</td>
<td>00655</td>
<td>April 26, 2018</td>
<td>$14.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Total</strong> $43.99</td>
</tr>
</tbody>
</table>

**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. 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 7 – Accounting Procedures- Deposit Outstanding Greater than 5 days in Great Plains 15**

**Risk Rating – Low**

**Condition:**
One deposit totaling $6.00 on the bank reconciliation for the month of December 2018 has been outstanding over 30 days in Great Plains 15, as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Deposit Number</th>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>00195</td>
<td>November 30, 2018</td>
<td>$6.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Total</strong> $6.00</td>
</tr>
</tbody>
</table>

**Criteria:**
The *School Finance Handbook* states "Amounts listed as deposits in transit (receipts posted in the accounting records but not deposited at the bank) at the end of a month should appear on the bank statement on the first business day of the following month. If not, a written explanation must be provided."

**Effect:**
All deposits should be cleared promptly to ensure all funds are available for use to support student activities.
Recommendation:
OAG recommends that deposits that remain outstanding should be investigated in accordance with finance guidelines.

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 8 – Cash Disbursements- Fund Usage
Risk Rating – Low

Condition:
One of the 30 disbursements sampled totaling $57.98 out of $11,891.57 made on November 29, 2018 was charged to the Instructional Supplies card, however, the purchases were for coffee and flowers for teacher recognition award. A journal entry to properly reclassify the expenditure was not made.

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:
OAG recommends that 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.