Business Process/Turnover Audit
West Springfield High School
Report Reference Number: 19-13150

March 2019

Prepared by
Office of Auditor General

8115 Gatehouse Road, Suite 5500
Falls Church, VA 22042
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Executive Summary

This audit report summarizes the results of the Office of Auditor General’s Business Process/Turnover Audit at West Springfield High School conducted on December 13, 2018. 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 two 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 West Springfield High 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>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 two moderate and two low risk findings which are detailed below:
Finding 1 – Accounting Procedures- Checks Outstanding Greater than 180 Days
Risk Rating – Moderate

Condition:
Two checks totaling $6,923.04 on the bank reconciliation for the month of November 2018 have been outstanding over 180 days:

<table>
<thead>
<tr>
<th>Item</th>
<th>Check Number</th>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>05002</td>
<td>May 17, 2018</td>
<td>$100.00</td>
</tr>
<tr>
<td>2</td>
<td>05030</td>
<td>May 30, 2018</td>
<td>$6,823.04</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$6,923.04</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 (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 above checks were researched and voided and reissued if needed.</td>
<td>May 31, 2019</td>
</tr>
</tbody>
</table>

Finding 2 – Accounting Procedures- Deposit Outstanding Greater than 5 days in Great Plains 15
Risk Rating – Moderate

Condition:
Eight deposits totaling $2,198.28 on the bank reconciliation for the month of November 2018 have been outstanding between the months of March thru October 2018 in Great Plains 15, as follows:
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 (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.

### Item Deposit Number Date Amount

<table>
<thead>
<tr>
<th>Item</th>
<th>Deposit Number</th>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>00619</td>
<td>March 5, 2018</td>
<td>$274.14</td>
</tr>
<tr>
<td>2</td>
<td>00620</td>
<td>March 6, 2018</td>
<td>$274.14</td>
</tr>
<tr>
<td>3</td>
<td>00621</td>
<td>March 6, 2018</td>
<td>$200.00</td>
</tr>
<tr>
<td>4</td>
<td>00598</td>
<td>March 6, 2018</td>
<td>$35.00</td>
</tr>
<tr>
<td>5</td>
<td>00602</td>
<td>March 7, 2018</td>
<td>$440.00</td>
</tr>
<tr>
<td>6</td>
<td>00603</td>
<td>March 8, 2018</td>
<td>$110.00</td>
</tr>
<tr>
<td>7</td>
<td>00803</td>
<td>September 1, 2018</td>
<td>$840.00</td>
</tr>
<tr>
<td>8</td>
<td>00870</td>
<td>October 17, 2018</td>
<td>$25.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Finding 3 – Accounting Procedures- Reconciliations
Risk Rating – Low

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:
  o September 2018 FMR was not approved until November 7, 2018. The completion date set by Financial Services (FS) for September 2018 was October 31, 2018
  o August 2018 FMR was not approved until October 2, 2018. The completion date set by FS for August was September 28, 2018
• The FMR for one of the three months sampled was not signed and dated by the principal. Specifically:
  o September 2018 FMR Non-position report

Criteria:
• 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 retained 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 (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 4 – Cash Disbursements- Pre-Approval for Purchases
Risk Rating – Low

Condition:
Two of the 20 procurement card purchases sampled totaling $30.70 out of $2,568.66 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>October 27, 2018</td>
<td>Amazon</td>
<td>$21.94</td>
</tr>
<tr>
<td>2</td>
<td>Appropriated procurement card</td>
<td>IS</td>
<td>October 30, 2018</td>
<td>Amazon</td>
<td>$8.76</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>$30.70</td>
</tr>
<tr>
<td></td>
<td>Total Expenditure Sampled</td>
<td></td>
<td></td>
<td></td>
<td>$2,568.66</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 (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.