# Table of Contents

Executive Summary................................................................................................................ 1
Background, Scope and Objectives, and Methodology ......................................................... 2  
  Background .......................................................................................................................... 2  
  Scope and Objectives ......................................................................................................... 4  
  Methodology ......................................................................................................................... 5  
Audit Findings, Recommendations, and Management’s Responses ............................. 11  
  Finding 1 – Effectiveness of the Current Staffing Methods .............................................. 12  
  Finding 2 – Efficiencies in the Trades Request and Authorization Process .............. 16  
  Finding 3 – Clarity of Regulation 5135 ............................................................................. 18  
  Observation 1 – Trading Across Position and Nonposition Funds ............................. 20  
Appendix ................................................................................................................................................ 21
Executive Summary

The Office of the Auditor General (OAG) conducted a performance audit of the Use of Trades and Staffing Reserve processes in accordance with the Fiscal Year (FY) 2019 audit plan approved by the Fairfax County School Board. The Department of Financial Services (FS) and the Department of Human Resources (HR) provide oversight for these processes throughout FCPS. The Offices of Budget Services (OBS) and Talent Acquisition and Management (TAM) are primarily responsible for the final approval and processing of these activities. The audit purpose was to evaluate the effectiveness and efficiency of the trades and staffing reserve processes and their internal controls. The audit covered the period from July 1, 2016 through October 31, 2018 (28-month scope period).

The primary objectives of the audit were to perform the following:

- Understand and determine compliance with related policies, regulations and procedures
- Determine trend information on the practice of reallocating funds and positions
- Analyze trends in the use of trades and staffing reserve amongst schools and departments
- Assess the design and operating effectiveness of internal controls to meet objectives

TAM and OBS work diligently with school staff, principals, and department program managers to facilitate trades. Reallocating resources provides flexibility for the changing environment facing school growth and enrollment as well as departmental needs. This flexibility is needed to respond to unique changes in schools due to changing demographics, economic factors, student emotional needs, and other school needs that may vary annually. The departments supporting our schools need to adjust to support initiatives and the changing needs of FCPS schools. In addition, TAM and OBS have made significant strides in developing a means for allocating positions from the staffing reserve to accommodate implementations to class size as directed by the School Board and changes in student enrollment. The Central Staffing Committee conducts a sufficient level of monitoring and analysis to make sound decisions to ensure that schools obtain or return appropriate allocations to and from the staffing reserve.

As a result of the audit, OAG identified two moderate risk findings related to the effectiveness of the current staffing methods, and the efficiencies of the trade request and authorization process. Specifically, under the current staffing methods, baseline budgeting is used to identify resources needed to maintain the existing level of services. However, we noted the current methods for budgeting and allocating staffing may not be the most effective measure to ensure schools and departments are adequately staffed and meet the current business needs of FCPS. It also appears that trades and the staffing reserve helps to supplement actual staffing needs not met with the budgeting methods and staffing formula. While controls were implemented, our evaluation revealed instances of inefficiencies and inconsistencies within the trade request and approval process. OAG also identified one low risk finding related to the clarity of Regulation 5135 Reallocation of Authorized Funds Affecting Positions. Additionally, an observation was noted associated with trading across positions and nonposition funds.

We appreciate the consultation, cooperation, and courtesies extended to our staff by TAM and OBS.
Background, Scope and Objectives, and Methodology

Background

Baseline budgeting is used to identify resources needed to maintain the existing level of services. Baseline budgets for schools and centers are determined by formulas approved by the School Board and applied by the Office of Budget Services (OBS). These formulas are driven primarily by enrollment and determine the administrative, instructional, and support personnel in each school and center. Formulas are also used to allocate funding for textbooks, instructional supplies, and postage.

Positions assigned to a school are determined by formulas approved by the School Board while the number of teachers at a school will vary depending on student enrollment at the elementary level, the number of teachers assigned to middle and high schools is calculated based on teacher load, or the number of students a teacher instructs on a daily basis. School-based staffing for all schools may also be impacted by the number of students eligible for free and reduced-price meals (FRM), the number and level of students receiving English for Speakers of Other Languages (ESOL) services, and the number and level of special education services provided.

Additionally, at the elementary, middle, and high school levels, a weighted factor is applied to the number of FRM eligible students at each school in the general education staffing formula to generate additional staffing. The weighted factors vary depending on the percentage of FRM eligible students at a school to ensure that schools with larger populations of FRM eligible students receive increased additional staffing.

FCPS has also established class size standards and procedures to follow when class sizes reach specified limits as indicated in Regulation 1302 Elementary Class Size Guidelines. Those standards include the following:

a. Kindergarten Class size shall not exceed 28 students; classes shall have both a teacher and an instructional assistant.
b. Grades 1-3 Core content classes and instructional groupings shall not exceed 29 students.
c. The standard for core content classes for Grades 4-6 and instructional groupings is 29 students. Core content classes and instructional groupings shall not exceed 29 students.
d. If a homeroom period is used as a non-instructional period, class size limits shall not apply.
e. Should student enrollment not support allocated position(s), through the tenth instructional day in the first grading period, the position(s) shall be reassigned.
f. These guidelines are applicable until the end of the second grading period.

Departments and offices staffing baseline budgets are driven by assigned mission and responsibilities. There are no specific formulas for determining administrative staffing and computing budgets for materials or services.

Trades and staffing reserve are two discrete ways in which flexibility is provided to FCPS in managing the allocated resources based upon the actual needs. Both trades and staffing reserve, are overseen by OBS and TAM.

Trades

FCPS Regulation 5135 Reallocation of Authorized Funds Affecting Positions establishes
procedures and guidelines for principals and program managers to reallocate their vacant authorized staffing and/or available funding as needed for positions and/or additional funding. Reallocations, also referred to as trades, are approved for one fiscal year only. This 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. Provided they maintain certain standards, and with justification, principals and program managers have the ability to reallocate funds to meet unanticipated needs. School Board approved staffing standards that impose caps, state and regional accreditation standards, and standards of quality for public schools in Virginia must be followed.

The majority of trades are submitted during staffing meetings with HR but can be submitted throughout a fiscal year. To implement this reallocation, schools and departments should complete and submit a FS-137 Reallocation (Trade-Off) Request form. Completion of the trade form includes detailed Lawson position information, position trade values, and Lawson/FOCUS funding code information. Position trade values are based on the salary scales resulting from that fiscal year’s approved budget and are calculated from the effective date until the end of the fiscal year. The position trade values do not include benefits funds not expended due to vacancy and hiring delays are credited to budgeted salary lapse and cannot be reallocated.

The trade request form is routed through various levels of review and approval which may vary depending on whether the trade is requested by a school or department or based on the position requested for reallocation. The approved form must be submitted to HR by the 15th day of the month prior to the month in which the reallocation is to take effect. The director of TAM, or his or her designee, as appropriate, shall determine if the requested staffing change complies with administrative guidelines of the regulation. HR must submit the reallocation to OBS before the monthly payroll process begins for the month in which the reallocation is to take effect. The director of OBS, or his or her designee, shall determine if the requested reallocation complies with financial guidelines. OBS also verifies the funding calculations and ensures all levels of approval were obtained before processing the trade. OBS is also responsible for recording the trade in the Trade Log and the position reallocation in Lawson. Once the trade has been approved by all levels, the selection and contracting of personnel is conducted by HR. After the position is filled, HR makes the necessary update in Lawson.

As shown in the chart on page 6, during the audit period, there was a total of 3,667 trades requests, 85% of trades were requested at the school level and 15% of trades were requested by departments. Trades at the school level were between instructional staffing allocation and other areas such as textbooks, instructional supplies, and non-instructional staffing. Trades at the department level were between positions (school-based and non school-based), office supplies and other departmental expenditure allocations. The table below shows the detail of those trades by year.

<table>
<thead>
<tr>
<th>Total Dollar Amount of Trades</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2017</td>
</tr>
<tr>
<td>School</td>
</tr>
<tr>
<td>Department</td>
</tr>
</tbody>
</table>

*Through October 31, 2018
**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 increase classroom positions at schools when enrollment exceeds projections, reduce/eliminate combination classes at the elementary school level, reduce large elementary class sizes, and address other extenuating circumstances (e.g. unique special education needs). The staffing reserve consists of 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.

The staffing reserve is developed each year with the assumption of the same number of reserve positions as the prior year. As part of the budget development process adjustments to the staffing reserve may be included to address specific initiatives, prior usage patterns, School Board or other stakeholder input, staffing formula changes, etc. Any adjustments to the budgeted positions in the staffing reserve are adopted by the School Board as part of the Approved Budget. The table below shows the detail of staffing reserve budgeted each year.

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staffing Reserve Positions (FTE)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Budgeted</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2017</td>
<td>488.0</td>
<td>469.0</td>
<td>445.5</td>
</tr>
</tbody>
</table>

To ensure principals have adequate time to hire qualified candidates, positions are allocated during scheduled staffing meetings beginning in April and occurring throughout the school year with the bulk of the review process taking place in July, August, and September. The Central Staffing Committee collaborates and conducts periodic monitoring of general and special education enrollment of schools to determine whether a school has demonstrated a need for an allocation from the staffing reserve or a return of an allocation to the staffing reserve. The Central Staffing Committee consists of representatives from HR, Financial Services, Region Offices (Region Assistant Superintendents and Executive Principals), Department of Special Services, the Office of ESOL Services, and Department of Facilities and Planning. Specifically, monitoring is conducted for elementary schools due to the applicable regulations such as Regulation 1302 Elementary Class Size Guidelines. Additionally, principals can submit requests for a position from the staffing reserve and must provide a justification for the need of the position. The Central Staffing Committee decides on the staffing reserve positions that are allocated based on their evaluation of staffing requests and a variety of data points along with the justification provided. Positions are granted based upon a demonstrated need. If there is disagreement at the table, then the request is brought to the Assistant Superintendent of HR for review.

Additionally, the Central Staffing Committee conducts true-ups in July and September to ensure schools have the adequate number of teachers for physical education, art and music. On the 10th of the instructional day of school, enrollment is assessed for elementary, middle and high school. At that point, a true-up is conducted to determine whether additional staffing should be allocated to the school or returned to the reserve.

**Scope and Objectives**

OAG 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 scope period covered July 1, 2016 to October 31, 2018 (28-month scope period). The audit objectives were to:

- Understand and determine compliance with related policies, regulations and procedures
- Determine trend information on the practice of reallocating funds and positions
- Analyze trends in the use of trades and staffing reserve amongst schools and departments
- Assess the design and operating effectiveness of internal controls to meet objectives

The focus of this audit was on the use of trades and staffing reserve processes across FCPS. However, the scope of this audit did not include assessing the effectiveness of individual trades made by a school or department.

**Methodology**

To achieve the audit objectives, OAG performed the following:

- Interviewed internal stakeholders including Department Assistant Superintendents, Executive Principals, Principal Associations
- Analyzed trade and staffing reserve data, including trends and available benchmarking information
- Reviewed applicable laws, rules, and FCPS regulations
- Observed and evaluated current practices to assess control design and efficiency
- Performed testing on a sample of trades and staffing reserve allocations to verify whether internal controls were effective

For trades, OAG used stratified sampling to select 156 trades consisting of 75 department and 81 school trades. OAG also completed a trend analysis of trades data. For staffing reserve, OAG used stratified random sampling derived from the types staffing requests submitted by schools to select a total of 40 staffing requests.

The Office of Auditor General (OAG) is free from organizational impairments to independence in our reporting as defined by government auditing standards. OAG 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.

**Benchmarking**

OAG reached out to 14 school districts to solicit information related to the use of trades and staffing reserve. We received a response from four of the 14 school districts. A summary of the results is listed below:

- Four of four school districts use formulas to determine staffing needs
- One of four school districts use staffing reserve to adjust for enrollment projections
- Four of four school districts allow principals to reallocate funds or positions based upon actual school needs
- Three of four school districts allow departments to reallocate funds or positions based upon actual departmental needs
Trend Analysis

OAG obtained trades and staffing reserve data and performed the following analysis:

(A) Trades

Trades data for July 1, 2016 through October 31, 2018 (28-month scope period) were analyzed. OAG highlighted the results in the following tables:

Note: This information was derived from the Trade Log maintained by OBS. School trades were identified by categorizing cluster codes R1, R2, R3, R4, and R5. All other cluster codes from the trade data are included in the Department category.

<table>
<thead>
<tr>
<th>Trade Totals</th>
<th>School</th>
<th>Department</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,112</td>
<td>555</td>
<td>3,667</td>
</tr>
<tr>
<td></td>
<td>(85%)</td>
<td>(15%)</td>
<td></td>
</tr>
</tbody>
</table>
Based on the population of executed trades from the 28-month scope period, OAG illustrates the top five budget categories traded in and traded out by schools and departments. Further details related to these trades are provided in the Appendix beginning on page 21.
Salary Placeholder is a budget category. This category is used to set aside funding that has been established for positions that are determined after the budget is approved. As a result, the trades process is used to reallocate these funds for those positions. For example, in FY 2017 a total of $4,203,274 was traded out of Salary Placeholder. Of the total amount, $2,816,498 related to teacher, specialist and supervisor positions and employee benefits for Project Momentum and $1,000,000 was associated with the carryover of the year end staffing reserve teacher and instructional assistant positions and employee benefits remaining from FY 2016.

<table>
<thead>
<tr>
<th>Department Trade In</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialists</td>
<td>$5,000,000</td>
<td>$5,000,000</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Teachers</td>
<td>$6,000,000</td>
<td>$6,000,000</td>
<td>$6,000,000</td>
</tr>
<tr>
<td>Hourly Salaries</td>
<td>$4,000,000</td>
<td>$4,000,000</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Technical Personnel</td>
<td>$3,000,000</td>
<td>$3,000,000</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Department Trade Out</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary Placeholder*</td>
<td>$5,000,000</td>
<td>$5,000,000</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Hourly Salaries</td>
<td>$4,000,000</td>
<td>$4,000,000</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Teachers</td>
<td>$3,000,000</td>
<td>$3,000,000</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Contracted services</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Materials and Supplies</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

*Salary Placeholder is a budget category. This category is used to set aside funding that has been established for positions that are determined after the budget is approved. As a result, the trades process is used to reallocate these funds for those positions. For example, in FY 2017 a total of $4,203,274 was traded out of Salary Placeholder. Of the total amount, $2,816,498 related to teacher, specialist and supervisor positions and employee benefits for Project Momentum and $1,000,000 was associated with the carryover of the year end staffing reserve teacher and instructional assistant positions and employee benefits remaining from FY 2016.
**Textbook Trade Dollar Total by FY**

Upon further analysis for school trades, OAG extracted data points related to the budget category of Materials and Supplies and drilled down to the sub-category of textbooks. The chart below shows the total dollar amount of textbooks traded out and traded in each year during the 28-month scope period. The dollars traded out over the three year period, $12,143,597, far exceed the dollars traded in, $1,395,836.

![Fiscal Year Textbook Trade Out](chart1.png)

**Textbook Trade Dollars by School Type**

The chart below indicates the textbook allocation that was traded out by elementary, high, and middle schools each year.

![Textbook Trade Out by School Type](chart2.png)
(B) Staffing Reserve

This chart displays the number of positions (FTEs) allocated from the staffing reserve by reason which include the following:

- **Formula** - Increasing classroom positions at schools when enrollment exceeds projection
- **Class Size** - Reducing/eliminating combination classes at the elementary school level and addressing large class sizes
- **Special Education & Unique** - Addressing special education and other unique circumstances

This information was derived from the Goal 3 Premier Workforce report presented to the School Board each year in April. As such, FY 2019 information was unavailable and is not scheduled to be presented until April 2019. Furthermore, at the time of our review, positions were still being allocated from the staffing reserve for FY 2019. Therefore, the period of our analysis included information from FY 2016, FY 2017, and FY 2018.
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>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>

During this audit, OAG identified two moderate findings, one low finding, and one observation which are detailed below.
Finding 1 – Effectiveness of the Current Staffing Methods

Risk Rating: Moderate – Issues are identified that could negatively impact the efficiency and effectiveness of FCPS operations.

Condition:

Under the current staffing methods, baseline budgeting is used to identify resources needed to maintain the existing level of services. However, we noted that the current methods for budgeting and allocating staffing may not be the most effective measure to ensure schools and departments are adequately staffed and meet the current business needs of FCPS. It also appears that trades and the staffing reserve help to supplement actual staffing needs not met with the budgeting methods and staffing formula.

Trades

While the trades process provides flexibility to principals and program managers by allowing the reallocation of funds affecting positions, we noted over 1,000 of approved trade requests were processed annually for schools and departments. Exhibit A shows the volume of approved trade requests for each year during the scope period of our review.

Exhibit A

<table>
<thead>
<tr>
<th>Volume of Approved Trade Requests</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2017</td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td>Department</td>
</tr>
<tr>
<td>School</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

*As of October 31, 2018

While the requests can be made throughout the year, they are usually submitted once the budget allocations are released and are requested to be effective at the beginning of the fiscal year. This increases the workload for TAM and OBS especially during that period for the selection and contracting of personnel and payroll processing. Additionally, the number of trade requests made appear to be consistent between FY 2017 and FY 2018. The volume and consistency in the number of trade requests each year may indicate that this process is being used to supplement an actual need that may not be properly addressed by the approved staffing formula.

Baseline budgets for schools and centers are determined by formulas approved by the School Board and applied by OBS. These formulas are driven primarily by enrollment and determine the administrative, instructional, and support personnel in each school and center. Formulas are also used to allocate funding for textbooks, instructional supplies, and postage. We determined that during the scope period the most FTE’s reallocated by schools for instructional personnel related to teacher and instructional assistant positions. This may indicate an actual need in these areas that are not being met with the current staffing formula. For instance, on average the most FTE’s traded in related to the following:
• The average trade in for instructional support teachers was approximately 219 FTE’s while the average trade out was approximately 45 FTE’s
• The average trade in for general instructional assistants was approximately 80 FTE’s while the trade out also averaged at approximately 78 FTE’s
• The average trade in for special education assistants was approximately 85 FTE’s and the average trade out was approximately 66 FTE’s

In addition, on average the most FTE’s traded out related to the following:

• The average trade in for special education teachers was approximately 89 FTE’s and the approximately trade out was 99 FTE’s
• The average trade in for middle school teachers was approximately 17 FTE’s while the average trade out was approximately 72 FTE’s
• The average trade in for elementary school teachers (1-6) was approximately 56 FTE’s while the average trade out was approximately 98 FTE’s

The method for staffing for departments and offices has not kept up with the growth of the division due to the fiscal environment. Currently, baseline budgets for departments and offices are driven by assigned mission and responsibilities. However, there are no specific formulas for determining administrative staffing and computing budgets for materials or services. We found that trades are used to meet long-term needs for departments and offices. Based on our review of supporting documentation, we noted that 46 of the 75 (61%) sampled department trades includes positions that were repeated requests in prior years and in some instances, trades were requested repeatedly since as far back as FY 2009.

Furthermore, we found that the trades process is being utilized as a mechanism to allocate positions to schools for funding associated with FCPS initiatives such as Project Momentum and Algebra Readiness Initiative.

**Staffing Reserve**

The staffing reserve is a contingency used to meet staffing requirements that exceed existing allocations and are identified after the budget is finalized. Based on our review of the staffing reserve, we noted that the positions allocated from the reserve were mostly due to formula and class size standards. The volume of positions allocated due to the formula seems valid as these are driven by actual enrollment. However, the volume of positions allocated due to class size may indicate misalignment with the staffing formula. For instance, the class size requirements indicate that kindergarten class size should not exceed 28 students and shall have both a teacher and an instructional assistant. The elementary staffing formula does not consider the class size, it provides 1.0 teacher and 1.0 assistant for every 27.25 students with an additional allocation based on free and reduced-priced meals eligibility. In addition, the class size requirements indicate that core content classes and instructional grouping for grades 1-6 shall not exceed 29 students.

For grades 1-3, additional resources are to be allocated when all classes at a grade level reach 27 students and more are added resulting in classes with 28 or 29 students. In grades 4-6, additional resources are added when one or more classes reach 29 students and more students are added resulting in classes with 30 students or above. The staffing formula for grades 1-6 provides for 1.0 teacher for every 27.25 students with an additional allocation based on free and reduced-price meals eligibility.
Criteria:

- Per FCPS Regulation 1301 *Staffing Standards for School Administrators, Teachers, and Support Staff*, "The School Board shall adopt an annual budget which shall incorporate staffing standards. Thus, when the budget is adopted, the staffing standards contained therein shall become School Board policy for the next fiscal year. These staffing standards shall meet the minimum standards required by the Virginia Standards of Quality, the Standards for Accrediting Schools in Virginia, and Standards for Accreditation by the Southern Association of Schools and Colleges”.

- Per FCPS Regulation 5135 *Reallocation of Authorized Funds Affecting Positions*, “Central office position reallocations may be submitted through this process for short-term needs”.

Cause:

- The budgeting practices used to determine staffing in schools and departments does not align to meet the current business needs.
- The school staffing changes with enrollment but central staffing does not correlate to fluctuations. In addition, budget cuts and limitations have not allowed for the establishment of new positions.
- This process is being utilized as a mechanism to allocate positions associated with FCPS initiatives such as Project Momentum and Algebra Readiness Initiative.

Effect:

- Schools and departments must submit trades after the budget has been established in order to meet their operating needs and compensate for the changing environment in schools and the necessity to support those environmental changes by the central office. This may result in schools and departments having to give up one need to meet another need.
- The volume of approved trades processed for schools and departments increased workload for OBS and TAM.

Recommendation:

OAG recommends that TAM and OBS collaborate to reduce the volume of trades. Specifically, OAG recommends the following:

- Continue analyzing the repetitive trades
- Develop a methodology to update the staffing standards based on the analysis
- Communicate the new methodology
- Implement the new staffing standards
- Measure the volume of trades against the historical volumes to determine improvement
- Convert repeat departmental trades to Full Time Employees
Management Responses (Actions and Due Date):  
Management concurs with recommendations made by the Office of the Auditor General. Since 2008, FCPS has taken significant budget reductions of more than $500,000,000. The fiscal environment has not allowed FCPS to keep up with the growth of the school division and the programs to support both the academic and social/emotional needs of a changing student population.

FCPS Regulation 5135, Reallocation of Authorized Funds Affecting Positions, establishes procedures and guidelines for principals and program managers to reallocate their vacant authorized staffing and/or available funding as needed for positions and/or additional funding. Reallocations, also referred to as trades, are approved for one fiscal year only. This 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. Given the fiscal climate there has been an inability to expand the resources required at a department level to support the overall needs of the division; thereby necessitating the need for departments to leverage existing resources to meet program requirements via the trade process.

Management Response:

<table>
<thead>
<tr>
<th>Recommendation(s)</th>
<th>Planned Actions</th>
<th>Lead Department for Action</th>
<th>Planned Date of Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continue analyzing the repetitive trades</td>
<td>An analysis of existing staffing standards has begun as part of the FY 2020 budget development. This work is expected to continue in future years. As new methodology is developed, communication will be delivered via the existing budget process.</td>
<td>Office of Budget Services</td>
<td>Ongoing with revisions made annually</td>
</tr>
<tr>
<td>Develop a methodology to update the staffing standards based on the analysis</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communicate the new methodology</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implement the new staffing standards</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Management Response:

<table>
<thead>
<tr>
<th>Recommendation(s)</th>
<th>Planned Actions</th>
<th>Lead Department for Action</th>
<th>Planned Date of Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure the volume of trades against the historical volume to determine improvement</td>
<td>An annual report will be generated summarizing the number of trades for schools and departments. The current report will be compared with the previous year.</td>
<td>Office of Budget Services</td>
<td>November 30 (Annually)</td>
</tr>
</tbody>
</table>

Management Response:

<table>
<thead>
<tr>
<th>Recommendation(s)</th>
<th>Planned Actions</th>
<th>Lead Department for Action</th>
<th>Planned Date of Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convert repeat departmental trades to Full Time Employees</td>
<td>A review of departmental trades has begun. Through this process an assessment will be conducted to determine the positions that will need to be reclassified to permanent full-time equivalent (FTE).</td>
<td>Office of Budget Services</td>
<td>Ongoing with revisions made annually</td>
</tr>
</tbody>
</table>
Finding 2 – Efficiencies in the Trades Request and Authorization Process

Risk Rating: Moderate — Issues are identified that could negatively impact the efficiency and effectiveness of FCPS operations.

Condition:

During our review, we performed a walk-through of the processes related to the reallocation of authorized funds affecting positions (trades) within FCPS schools and departments to assess the design of internal controls implemented. While controls were implemented for authorization, our evaluation revealed instances of inefficiencies and inconsistencies within the trade approval process. Specifically, we noted the following:

- The reallocation request form, FS-137, is completed by principals and program managers to initiate the trade request. While the form is provided in a fillable version, the content is not pre-populated. The information required to complete the form consists of various financial codes from the chart of accounts (Lawson codes specific to positions and/or FOCUS cost centers) and estimated values that may fluctuate and are subject to change based on the timing of the submission of the trade request.
- Requests are not tracked and are only recorded in the Trade Log by OBS once all levels of approval have been obtained. The form is routed manually through the various levels of review and approval. In addition, there is no mechanism established to record the date of receipt of the form at each level of approval.
- The form is inconsistent with the process for approving school trades by OBS. The form provides boxes for approval or disapproval by OBS however; OBS indicated that the signature and date represent a verification that the trade has been through all levels of approval and that the trade was entered into the Lawson system.

In addition, we tested a sample of trades for schools and departments to evaluate operating effectiveness. Based on the testwork performed, we noted instances in which the forms were incomplete and/or missing pertinent details. Specifically, we noted the following:

- An approver failed to check the appropriate box on the FS-137 to indicate their approval or disapproval for 11 of 81 (14%) school trades sampled and 13 of 75 (17%) department trades sampled.
- An approver failed to indicate the date of approval on the FS-137 for 17 of 81 (21%) school trades sampled and four of 75 (5%) department trades sampled.
- Justification was not provided on the FS-137 for 3 of 81 (4%) school trades sampled.

Criteria:

Controls should be effectively designed to ensure operating effectiveness and efficiency of a process. The control design of manual trade processing is designed inadequately to mitigate the risk of obtaining inefficient and incomplete trade authorizations.
**Cause:**

The process appears to be antiquated and labor intensive and does not align with current business needs.

**Effect:**

- The manual completion of the request form increases the risk of inaccurate and incomplete information being captured on the source document.
- The manual approval and routing results in the following:
  - The inability to adequately track requests, any adjustments made by approvers, and the status of approval in real time
  - The inability to communicate the final approval status and/or changes in values back to all requestors due to the volume of trade requests
  - The increased risk of the forms being lost and/or duplicate forms being submitted
  - The inability to validate the total population of the trade requests to include any requests that may have been denied prior to submission to TAM or OBS
  - The inability to validate the timeliness of the review and approval process

**Recommendation:**

If FCPS continues to operate in the existing environment that produces considerable volumes of trades, such as over 1,000 trades a year, FCPS should consider automating the process. Specifically, TAM and OBS should explore the opportunity to implement automated controls using an electronic form to ensure consistency of the process for each reallocation and enforcement of the regulation. This will enhance segregation of duties and timeliness and availability of information.

**Management Responses (Actions and Due Date):**

<table>
<thead>
<tr>
<th>Recommendation(s)</th>
<th>Planned Actions</th>
<th>Lead Department for Action</th>
<th>Planned Date of Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>• If FCPS continues to operate in the existing environment that produces high</td>
<td>A workgroup will be convened to discuss the business requirements to automate</td>
<td>Office of Budget Services</td>
<td>Initial meeting to</td>
</tr>
<tr>
<td>volumes of trades, FCPS should consider automating the process. This will</td>
<td>the trade's process (document/workflow).</td>
<td></td>
<td>take place by April</td>
</tr>
<tr>
<td>reduce the risk of controls being circumvented, enhance segregation of duties,</td>
<td></td>
<td></td>
<td>30, 2019. A full</td>
</tr>
<tr>
<td>and timeliness and availability of information.</td>
<td></td>
<td></td>
<td>timeline will be</td>
</tr>
<tr>
<td>• Additionally, TAM and OBS should explore the opportunity to implement automated</td>
<td></td>
<td></td>
<td>developed by the workgroup</td>
</tr>
<tr>
<td>controls using an electronic form to ensure consistency of the process for each</td>
<td></td>
<td></td>
<td>at their first meeting.</td>
</tr>
<tr>
<td>reallocation, reduce management overrides, and enforcement of the regulation.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Finding 3 – Clarity of Regulation 5135 Reallocation of Authorized Funds Affecting Positions

Risk Rating: Low – Issues identified are less significant but opportunities exist that could enhance FCPS operations.

Condition:

During our review, we noted the following instances where Regulation 5135 was not concise.

- The regulation listed School-based technology specialists (SBTS) as a position not subject to reallocation. During our audit, we noted that eight of 81 (9%) school trades were for SBTS. The regulation also indicates, “the reallocation requests not meeting all requirements contained in this regulation require written justification and must be approved by the cluster or department assistant superintendent prior to submission to HR. They will then be submitted for approval to the Superintendent, or his or her designee, after approval from Budget Services.” In addition, we noted that approval was obtained from OBS and the SBTS manager from Instructional Services (IS); however, the Superintendent’s approval for this exception was not obtained. Based on further discussion with OBS and TAM, it was revealed that due to the challenges with identifying qualified personnel, the funds related to this position were permitted for trade during the second half of the year. These funds were to be traded for hourly SBTS positions funds managed by IS. As such, this trade was not considered an exception to the rule and did not require approval from the Superintendent.

- The regulation indicates that “Trades may not cross funds and/or subfunds”. During our review, we found that one of 81 (1%) school trades and 13 of 75 (17%) department trades crossed subfunds. Discussions with OBS revealed that subfunds no longer exist and the intention of this rules was solely to prevent trades from crossing funds between grant and nongrant.

- The regulation indicates that positions from the staffing reserve cannot be subject to reallocation. During our review, we noted that staffing reserve positions allocated to the schools are monitored by the hiring specialists and there is increased scrutiny by the Assistant Superintendent of Special Services for any staffing reserve and trades request related to special education positions. While we did not find any instances of staffing reserve positions that were traded during our audit, we were informed that there have been previous incidents where staffing reserve positions allocated were subsequently traded. To provide more clarity, OBS informed us that the intent of the regulation is to ensure positions are utilized for the reason allocated. For instance, a school allocated 1.0 teacher for class size reasons may end up needing to trade for 2.0 Instructional Assistant’s but would still be required to utilize those 2.0 Instructional Assistant’s to support class sizes.

Criteria:

FCPS Regulation, Reallocation of Authorized Funds states,

- “Reallocation of Funding for the following shall not be subject to reallocation:
  a. Guidance counselor positions (without approval from the assistant superintendent, Department of Human Resources)
  b. Kindergarten teacher and assistant positions
c. Librarian positions (without approval from the assistant superintendent, Department of Human Resources)
d. School-based technology specialists (SBTS)
e. Substitute teacher allocations
f. Assessment coaches
g. Parent liaison funds
h. All nonappropriated funds, including local school funds
i. All grant funding (private, state, and federal)
j. Positions allocated from the staffing reserve
k. Foreign Language in the Elementary Schools (FLES) teacher positions"

• “Reallocation requests not meeting all requirements contained in this regulation require written justification and must be approved by the cluster or department assistant superintendent prior to submission to HR. They will then be submitted for approval to the Superintendent, or his or her designee, after approval from Budget Services.”

• “Reallocations may not cross funds or subfunds.”

Cause:
The current regulation requires updates to ensure alignment with current operating practices.

Effect:
The current language may cause the requirements to be misinterpreted by readers.

Recommendation:
OAG recommends TAM and OBS should consider making the necessary updates to the regulation to align with current operations and ensure the actual intent of the guidelines and procedures are clear and concise.

Management Responses (Actions and Due Date):

<table>
<thead>
<tr>
<th>Recommendation(s)</th>
<th>Planned Actions</th>
<th>Lead Department for Action</th>
<th>Planned Date of Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>OAG recommends TAM and OBS should consider making the necessary updates to the regulation to align with current operations and ensure the actual intent of the guidelines and procedures are clear and concise.</td>
<td>A workgroup comprised of various stakeholders will be convened to review, discuss, and update the regulation to align current practices and provide clarity to users.</td>
<td>Office of Budget Services And Office of Talent Acquisition and Management</td>
<td>July 1, 2019</td>
</tr>
</tbody>
</table>
Observation 1 – Trading Across Position and Nonposition Funds

Trades allow schools and departments to reallocate funds affecting positions. The amount of the trade value is based on current budgeting practices for vacant positions excluding employee benefits. This may present some challenges in the event that funds are traded from nonposition (hourly/logistics) to positions. Furthermore, we noted that positions traded in from nonposition funds are not included in the budgeted counts however the related expense is captured within the actuals of the subsequent years’ approved budget. The lack of transparency of these positions in the budget may affect the School Board’s ability to make sound decisions related to the staffing formula and budget.

At the time of the audit, OAG did not have sufficient information to determine the financial exposure; thus it is classified as an observation and not a finding. OAG recommends that OBS perform an analysis to determine the cost benefits of trading nonposition funds for positions to determine whether this observation has a significant impact on FCPS’ operations.
Appendix

The graphs below detail the top five budget categories traded in and traded out by school level to include Elementary School, Middle School, High School, and Centers.
High School Trade In

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teachers</td>
<td>$0</td>
<td>$2,000,000</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Instructional Assistants</td>
<td>$6,000,000</td>
<td>$8,000,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Office Assistant</td>
<td>$12,000,000</td>
<td>$10,000,000</td>
<td>$8,000,000</td>
</tr>
<tr>
<td>Materials and Supplies</td>
<td>$8,000,000</td>
<td>$10,000,000</td>
<td>$12,000,000</td>
</tr>
<tr>
<td>Asst Principals</td>
<td>$10,000,000</td>
<td>$12,000,000</td>
<td>$14,000,000</td>
</tr>
</tbody>
</table>

High School Trade Out

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teachers</td>
<td>$6,000,000</td>
<td>$8,000,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Materials and Supplies</td>
<td>$12,000,000</td>
<td>$10,000,000</td>
<td>$8,000,000</td>
</tr>
<tr>
<td>Instructional Assistants</td>
<td>$8,000,000</td>
<td>$10,000,000</td>
<td>$12,000,000</td>
</tr>
<tr>
<td>Hourly Salaries</td>
<td>$10,000,000</td>
<td>$12,000,000</td>
<td>$14,000,000</td>
</tr>
<tr>
<td>Office Assistant</td>
<td>$8,000,000</td>
<td>$10,000,000</td>
<td>$12,000,000</td>
</tr>
</tbody>
</table>