Business Process/Turnover Audit
South County High School
Report Reference Number:  19-13420

April 2019

Prepared by
Office of Auditor General

8115 Gatehouse Road, Suite 5500
Falls Church, VA 22042
# Table of Contents

Executive Summary

Background, Scope and Objectives, and Methodology

  Background

  Scope and Objectives

  Methodology

Audit Findings, Recommendations, and Management’s Responses
Executive Summary

This audit report summarizes the results of the Office of Auditor General’s Business Process/Turnover Audit at South County High School conducted on February 12, 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 was one moderate and one low risk findings identified during the audit.

We appreciate the consultation, cooperation, and courtesies extended to our staff by the finance technician and principal at South County 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 1: Risk criteria

<table>
<thead>
<tr>
<th></th>
<th>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.</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td></td>
</tr>
<tr>
<td>(one or more of these exists)</td>
<td></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>(one or more of these exists)</td>
<td></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>
<tr>
<td>(one or more of these exists)</td>
<td></td>
</tr>
</tbody>
</table>

Starting in FY 2019, all completed Business Process/Turnover Audits with findings in which the risk ratings are deemed moderate or high will require a management response. During this audit, OAG identified one moderate and one low risk findings which are detailed below:
Finding 1 – Accounting Procedures- Safeguarding of Assets  
Risk Rating – Moderate

Condition:
The appropriated procurement card designated for office supplies was not properly safeguarded. At the time of the audit, the card was not secured in the safe but was in the personal possession of the card custodian. In addition, it appears the card has been in their possession for an extended period of time. Furthermore, there was no evidence of the card being signed out by the custodian on the procurement card log or the principal’s approval to keep the card for an extended period of time.

Criteria:
- Regulation 5350 Procurement Card Management states, “The card custodian must secure procurement cards in a locked location when not in use. Access to the location must be limited to those with authorization to access the cards.”
- Regulation 5350 Procurement Card Management states that, "The card custodian must ensure only authorized personnel are issued a procurement card and that the Procurement Card Log (Attachment D) is accurately updated."
- Regulation 5350 Procurement Card Management states that “cards must not be held by employees for extended periods without approval from the principal/program manager.”

Effect:
Procurement cards regularly tracked ensure the appropriate use of school funds and prevent cards from being lost or stolen.

Recommendation:
OAG recommends that procurement cards checked out for extended periods be approved by the principal to ensure appropriate use of and accountability for school funds.

Management Response (Required):
A management response is required for this finding due to the moderate risk rating. The school will be subject to further review during the annual local school activity fund audit scheduled to be performed later in the year and continuous audit procedures conducted throughout the year.

<table>
<thead>
<tr>
<th>Planned Action(s)</th>
<th>Expected Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>The principal and finance technician have created a form signed by the cardholders and principal allowing the card(s) to be checked out for an extended period of time when needed. The principal and finance technician were unaware of the additional step since the credit cards were checked out in the required credit card log.</td>
<td>July 31, 2019</td>
</tr>
</tbody>
</table>

Finding 2 – Accounting Procedures- Reconciliation  
Risk Rating – Low

Condition:
While Financial Management Reports (FMR) reconciliations were being completed and electronically approved in a timely manner, the printed reconciliations were not reviewed and approved in a timely manner by the principal, as follows:
• The FMR for two of the three months sampled were not reviewed in a timely manner. Specifically:
  o December 2018 FMR position and non-position reports were not reviewed until February 11, 2019.
  o November 2018 FMR position and non-position reports were not reviewed until January 31, 2019.

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 “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 reconciled items be 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.