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Executive Summary

This audit report summarizes the results of the Office of Auditor General’s Business Process/Turnover Audit at Westlawn Elementary School conducted on February 19, 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 three moderate risk findings identified during the audit.

We appreciate the consultation, cooperation, and courtesies extended to our staff by the administrative assistant and principal at Westlawn 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 three moderate 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 one of the three months sampled were not approved timely through the Online Application. Specifically:
  - November 2018 FMR was not approved until January 24, 2019. The completion date set by Financial Services for November 2018 was January 11, 2019
- The reconciliations for two appropriated procurement cards for one of the three months sampled was not signed and dated by principal. Specifically:
  - November 2018 reconciliation for Instructional Supplies and Textbooks card
- The reconciliations for two non-appropriated procurement cards for the three months sampled were not signed and dated by the principal. Specifically:
  - January 2019 reconciliation for Student Activities card 1 and 2
  - December 2018 reconciliation for Student Activities card 1 and 2
  - November 2018 reconciliation for Student Activities card 1 and 2

Criteria:
- Regulation 5111 Financial Management Reports (FMR) 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.”
- Regulation 5350 Procurement Card Management states, “The principal/program manager must ensure that reconciliations are done on a timely basis and must review, sign, and date the reconciliation report.”

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

Recommendation:
OAG recommends that reconciliations be signed and dated to evidence timely completion, approval, and reviewed in a timely manner.

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.
Planned Action | Expected Completion Date
--- | ---
Processes have been put in place for end of month reporting of the Financial Management Report and Appropriated Fund Procurement Cards. This will ensure the reports are reviewed and signed by the principal according to the timeline required by FCPS guidelines and regulations. | July 31, 2019

Finding 2 – Cash Disbursements- Pre-Approval for Purchases
Risk Rating – Moderate

Condition:
Ten of the 25 disbursements sampled totaling $790.40 out of $17,363.02 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>January 08, 2019</td>
<td>Amazon</td>
<td>$12.47</td>
</tr>
<tr>
<td>2</td>
<td>Appropriated procurement card</td>
<td>IS</td>
<td>January 10, 2019</td>
<td>Amazon</td>
<td>$13.79</td>
</tr>
<tr>
<td>3</td>
<td>Non-Appropriated procurement card</td>
<td>SA2</td>
<td>January 12, 2019</td>
<td>Michaels</td>
<td>$69.33</td>
</tr>
<tr>
<td>4</td>
<td>Non-Appropriated procurement card</td>
<td>SA2</td>
<td>January 06, 2019</td>
<td>The Home Depot</td>
<td>$99.93</td>
</tr>
<tr>
<td>5</td>
<td>Non-Appropriated procurement card</td>
<td>SA2</td>
<td>December 14, 2018</td>
<td>Edublogs</td>
<td>$39.95</td>
</tr>
<tr>
<td>6</td>
<td>Non-Appropriated procurement card</td>
<td>SA2</td>
<td>October 31, 2018</td>
<td>Michaels</td>
<td>$25.30</td>
</tr>
<tr>
<td>7</td>
<td>Non-Appropriated procurement card</td>
<td>SA2</td>
<td>October 30, 2018</td>
<td>USPS PO</td>
<td>$55.52</td>
</tr>
<tr>
<td>8</td>
<td>Non-Appropriated procurement card</td>
<td>SA2</td>
<td>October 30, 2018</td>
<td>The Home Depot</td>
<td>$119.91</td>
</tr>
<tr>
<td>9</td>
<td>Non-Appropriated procurement card</td>
<td>SA2</td>
<td>December 22, 2018</td>
<td>USPS PO</td>
<td>$7.25</td>
</tr>
<tr>
<td>10</td>
<td>Non-Appropriated procurement card</td>
<td>SA2</td>
<td>November 09, 2018</td>
<td>Custom Ink</td>
<td>$346.95</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$790.40</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total Expenditures Sampled</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$17,363.02</strong></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.

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>All purchases will be pre-approved by purchase order before purchases are made.</td>
<td>July 31, 2019</td>
</tr>
</tbody>
</table>

Finding 3 – Accounting Procedures- Safeguarding of Assets
Risk Rating – Moderate

Condition:
At the time of the audit, a non-appropriated procurement card was not located in the safe and was not properly signed out. The card remains in the possession of the Principal and the Principal issues the card to employees for use. However, the Principal does not track the use of the card on the procurement card log. Therefore, the card custodian cannot ensure that the log is accurately updated and the employees that are provided use of the card by the Principal have completed the required disclosure forms.

Criteria:
- Regulation 5350 *Procurement Card Management* states that "FCPS employee assigned by the principal/program manager to safeguard and release procurement cards for preauthorized use and maintain a procurement card log to ensure transactions are recorded in a timely manner."
- Regulation 5350 *Procurement Card Management* states that, "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. The card custodian must ensure only authorized personnel are issued a procurement card and that the Procurement Card Log is accurately updated."
- Regulation 5350 *Procurement Card Management* states that, “The principal/program manager must ensure that each employee reads and signs the Procurement Card Employee Acknowledgement Disclosure form before initial use of any appropriated and nonappropriated procurement card. The school/office must retain the disclosure forms for audit purposes.”

Effect:
Procurement cards regularly tracked ensure the appropriate use of school funds.

Recommendation:
OAG recommends that procurement cards be properly safeguarded when not in use and the use is tracked on the Procurement Card Log 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. 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>An SA2 (i.e. the non-appropriated procurement card) log book has been established to document use of SA2 procurement card with corresponding purchase orders.</td>
<td>July 31, 2019</td>
</tr>
</tbody>
</table>