Business Process Turnover Audit
Lee High School
Report Reference Number: 19-13160

June 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 Lee High School conducted on May 9, 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 one moderate and three 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 Lee 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>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 one moderate and three low risk findings which are detailed below:
Finding 1 – Accounting Procedures- Bank Reconciliation
Risk Rating – Moderate

Condition:
While bank statements were on file, bank reconciliations were not completed for the following investment accounts (i.e. savings accounts):

- Burke & Herbert Savings 1 account reconciliation had not been completed
- Burke & Herbert Savings 2 account reconciliation had not been completed

Audit Comment:
OAG validated the completeness of bank reconciliations for the school’s primary account (i.e. checking account).

Criteria:
Regulation 5910 Monetary receipts states, “Bank reconciliations must be performed on a monthly basis. Any ensuing adjustments and corrections must be recorded prior to the following month-end close.” The School Finance Handbook provides a detailed explanation of how the reconciliation should be performed.

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:
Bank statements should be reconciled, and reconciling items cleared, 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.

<table>
<thead>
<tr>
<th>Planned Action</th>
<th>Expected Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Signatures has been established. Going forward all reconciliations will be done timely.</td>
<td>September 30, 2019</td>
</tr>
</tbody>
</table>

Finding 2 – Accounting Procedures- Reconciliations
Risk Rating – Low

Condition:
While Financial Management Reports (FMR) reconciliations were being completed, they were not consistently approved in a timely manner, as follows:
February 2019 FMR reconciliation was not approved through the Online Application until May 5, 2019. The completion date set by Financial Services for February 2019 was March 29, 2019.

March 2019 FMR reconciliation was not approved through the Online Application until May 5, 2019. The completion date set by Financial Services for March 2019 was April 30, 2019.

March 2019 FMR reconciliation was not signed by the principal until May 2, 2019. The completion date set by Financial Services for March 2019 was April 30, 2019.

Criteria:
- Regulation 5111 *Financial Management Reports (FMR) Reconciliation* establishes the responsibilities and procedures for the reconciliation of the monthly FMR.
- Regulation 5111 also states, “Principals/program managers are responsible for:
  a) Ensuring the timely completion of the FMR (Position Data and Non-Position Data) reconciliation as set forth in Notice 5111.
  b) Reporting the completion of the FMR reconciliations to the Office of the Comptroller each month using the online FMR reconciliation reporting application.
  c) Ensuring that all monthly FMR Position Data Reports and Non-Position Data Reports and relevant supporting.”

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

Recommendation:
OAG recommends that reconciling items be reviewed in a timely manner.

Management Response (Not Required):
A management response is not required for this finding due to the level of 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 continuous audit procedures conducted throughout the year.

Finding 3 – Cash Disbursements - Pre-Approval of Purchases
Risk Rating – Low

Condition:
One out of 20 procurement card purchases sampled totaling $24.99 out of $9,178.83 was 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>TB</td>
<td>November 26, 2018</td>
<td>Amazon</td>
<td>$24.99</td>
</tr>
</tbody>
</table>

Total $24.99

Total Expenditures Sampled $9,178.83

Criteria:
The *School Finance Handbook* states, “All purchases of goods or services made from school activity accounts, including Advanced Appropriated Funds (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 (Not Required):**
A management response is not required for this finding due to the level of 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 continuous audit procedures conducted throughout the year.

**Finding 4 – Cash Disbursements- Fund Usage**
**Risk Rating – Low**

**Condition:**
Two of the 20 procurement card purchases sampled totaling $437.00 out of $9,178.83 made on March 15, 2019 was charged to the Textbooks procurement card, however, the purchases were for business cards and envelopes. 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.