July 22, 2020

TRANSMITTAL LETTER

TO: Members of the Fairfax County School Board

SUBJECT: Office of Auditor General FY 2020 Mid-Year Report

The Office of Auditor General (OAG) is pleased to present the FY 2020 Mid-Year Report. The purpose of this report is to raise awareness of OAG’s mission and accomplishments, share the results of recent audits, and communicate upcoming projects. This report was presented to the Audit Committee on April 21, 2020.

Accomplishments and Results
OAG promotes accountability and transparency through independent audits and reviews and conducts outreach to FCPS employees. During the first nine months of FY 2020, OAG completed the FY 2019 Local School Activity Fund (LSAF) audit, two performance audits, and performed other office responsibilities, including timely review of inquiries received on the anonymous fraud, waste and abuse hotline as well as periodic follow-up of agreed-upon management corrective actions. We also created and distributed a Fraud, Waste, and Abuse Hotline poster to increase awareness of the hotline for both school and non-school based employees. Additionally, OAG developed an online school-based audit awareness training, which is now available, and will soon be included in the onboard training for school based administrators.

Looking Forward
While OAG staff was teleworking due to the COVID 19 pandemic, due to the closure of FCPS schools and offices, we experienced delays in completing the remainder of FY 2020 audit assignments. Despite the current situation, we are still performing these FY 2020 duties, including the ongoing performance audits, the FY 2020 LSAF audit, and serving as the project liaison of the review of special education at FCPS. After receiving valuable and much appreciated feedback from the Fairfax County School Board and Audit Committee members, as well as FCPS Leadership Team, OAG completed its FY 2021 Risk Assessment and Audit Plan, and the Audit Plan has been shared with the School Board for review and approval.

In closing, OAG would like to thank the Fairfax County School Board and members of the Audit Committee for their continued support as well as FCPS Superintendent and Leadership Team for fostering a collaborative work environment. OAG will continue to promote Fairfax County Public Schools achievement of its strategic goals, particularly in the area of resource stewardship, during this unprecedented time.

Sincerely,

[Signature]

Esther Ko, CPA, CIA, CFE
Auditor General
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Office of Auditor General (OAG) provides audit services to the Fairfax County School Board. OAG reports to the Fairfax County School Board through the Audit Committee. In this capacity, OAG conducts financial and performance audits in accordance with an annual Audit Plan, as approved by the School Board. The Audit Committee serves to promote, maintain, and enhance the independence and objectivity of the audit function by ensuring broad audit coverage, adequate consideration of audit reports, and appropriate action on recommendations.

OAG is considered an essential element in achieving the mission, goals, and objectives of the school division by delivering innovative and respected audit, advisory, investigative services and risk assurance to protect Fairfax County Public Schools (FCPS) as a leader in student achievement.

OAG maintains an independent, professional, and cooperative relationship with the administration of FCPS.

**OAG Mission**
To promote Fairfax County Public Schools' achievement of its strategic goals, OAG’s mission is to independently determine whether the ongoing processes for controlling fiscal and administrative operations and performance throughout Fairfax County Public Schools are adequately designed, functioning in an efficient, effective manner, and fully accountable to its citizens of Fairfax County.

**How We Do It**
OAG provides the following services to FCPS:
- Annual risk assessment and audit plan
- Performance and financial internal audits
- *Fraud, Waste, and Abuse Hotline* management and internal investigation
- Outreach and education

**Organizational Structure**

![Fairfax County Citizens](image)

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![Fairfax County School Board](image)

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![Office of Auditor General](image)

(through School Board Audit Committee)

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![Division Superintendent](image)
In accordance with the FY 2019 audit plan and the Code of Virginia (8VAC20-240-40), OAG performed an audit of FCPS school activity accounts for the period from July 1, 2018 to June 30, 2019. School activity funds are non-appropriated funds received from school activities (e.g., athletic gate receipts, club dues, donations, fees, fundraising, grants, PTA/PTO support, etc.). The primary purpose of the audit was to determine if cash balances were properly stated as of June 30, 2019, but an important secondary purpose was to determine the level of compliance with FCPS policies and procedures. The school activity accounts were examined as of year-end at 203 sites in the division.

In OAG’s opinion, the financial statements were presented fairly and were properly stated as of June 30, 2019. While we did not note any findings that had a material effect on the financial statements, our review of the schools identified exceptions related to compliance with policies and procedures. While 132 sites had no exceptions, OAG identified the following LSAF exception types within the remaining 71 sites in the division:

<table>
<thead>
<tr>
<th>Sites with LSAF Exceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting Procedures</td>
</tr>
<tr>
<td>Safeguarding of Assets</td>
</tr>
<tr>
<td>Non-Bank Reconciliation</td>
</tr>
<tr>
<td>Fund Account Balance</td>
</tr>
<tr>
<td>Bank Reconciliation</td>
</tr>
<tr>
<td>Appropriate Centralized Procedures</td>
</tr>
<tr>
<td>Cash Disbursements</td>
</tr>
<tr>
<td>Appropriate Use of Funds</td>
</tr>
<tr>
<td>Sufficient Documentation</td>
</tr>
<tr>
<td>Competitive Bidding</td>
</tr>
<tr>
<td>Timely Payment</td>
</tr>
<tr>
<td>Cash Receipts</td>
</tr>
<tr>
<td>Sufficient Documentation</td>
</tr>
<tr>
<td>Timely Receipt</td>
</tr>
<tr>
<td>Timely Deposit</td>
</tr>
</tbody>
</table>

Accounting Procedures
- Were procurement cards and cash stored securely?
- Were transfers between cash accounts appropriate?
- Were deficit balances appropriate?
- Were reconciliations complete, signed, and timely dated?

Cash Disbursements
- Were purchases made only for allowable goods and services based on the source of funds?
- Were purchases made in accordance with policies, regulations, and procedures?
- Were expenditures properly supported?

Cash Receipts
- Were controls and safeguards followed?
- Were cash and checks submitted and deposited timely?
- Were cash receipts properly recorded?

The full LSAF Audit Report is available [here](#) and LSAF Observations Noted Report [here](#).
OAG completed a performance audit of the controls and processes in place to support division-wide grant activities, including compliance with laws, rules, and regulations, as well as performance within selected departments and schools. While FCPS has a framework in place to support division-wide grant activities, OAG identified two findings:

- **Finding 1** – FCPS can Improve the Control Environment for Grant Administration, Accounting, and Monitoring
- **Finding 2** – Compliance with Grant Terms and Conditions

As a result of this audit, OAG made a total of five recommendations. Management concurred with the findings and recommendations and will take steps to implement corrective actions in FY 2020 and FY 2021. The full Grants Administration, Accounting, and Monitoring audit report is available [here](#).

OAG completed a performance audit of the controls and processes in place to support time and attendance reporting within FCPS and the MyTime system. The audit covered the scope period from July 1, 2017 through June 30, 2019 (FY 2018 and FY 2019). OAG identified the following three findings where the time and attendance processes can be further enhanced:

- **Finding 1** – Proper Documentation, Approval and Verification of Substitute Time
- **Finding 2** – Accurate Recording of Time for Temporary Hourly Employees
- **Finding 3** – Timely Review and Updates to the Time and Attendance Regulations

As a result of this audit, OAG made a total of six recommendations. Management concurred with the findings and recommendations and will take steps to implement corrective actions in FY 2020. The full Time and Attendance audit report is available [here](#).

**Ongoing Performance Audits**

- **Construction Contracts Management**: The preliminary audit objectives are to review the contracts solicitation process; review selected construction contracts related to the relevant procurement process; evaluate vendor compliance with contract terms and conditions; and confirm that contract management policies and procedures are being followed. The tentative scope will focus on contract administration and management processes, and vendor compliance with contract terms and conditions, for Capital Improvement Program (CIP) projects funded for construction in the 2015 and 2017 bond referendums.

- **Procurement and Contract Management**: The purpose of the audit is to evaluate if there is adequate management control framework in place with respect to governance and internal control to effectively support contracting and procurement activities; and determine compliance with Virginia Public Procurement Act, Fairfax County Purchasing Resolution and FCPS Policies and Regulations. The tentative scope will focus on sole source contracts and amendments executed during the period of June 1, 2019¹, through December 31, 2019. OAG may also select contracts and amendments of other procurement types.

Fraud, Waste, and Abuse Hotline

The Auditor General is authorized to receive and preliminarily review (and as necessary investigate, either directly or in conjunction with internal investigators of the Department of Human Resources) credible reports of waste, fraud, and abuse, where observed or reasonably believed to have occurred, involving any FCPS employee or FCPS assets if such has caused or is likely to cause injury to the school division (Regulation 1410, Procedures for Reporting and Investigating Embezzlement, Fraud, Waste, or Abuse, and Other Financial Wrongdoing).

Through the Fraud, Waste, and Abuse Hotline, OAG provides FCPS employees and the general public an anonymous means for reporting suspected wrongdoing involving fraud, waste, and abuse of school assets and resources. Inquiries may also be reported via email, direct mail, or walk-in.

### Internal Inquiries

<table>
<thead>
<tr>
<th>Inquiry Areas</th>
<th>FY 2019 Activities</th>
<th>FY 2020 Activities (July 1, 2019 – April 7, 2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Closed</td>
<td>Closed</td>
</tr>
<tr>
<td>Conflict of Interest</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Documentation</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Human Resources</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Not Related to Fraud, Waste, and Abuse at FCPS</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Procurement</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Residency</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Use of Assets</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Vendor/Contractual Execution</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>23</strong></td>
<td><strong>23</strong></td>
</tr>
</tbody>
</table>

During FY 2020, OAG began distributing a Fraud, Waste, and Abuse Hotline poster to schools and administrative buildings. The purpose of this poster is to increase awareness of the hotline and encourage FCPS employees to report suspected instances of fraud, waste, and abuse. Fairfax County citizens and the general public are also encouraged to report any potential wrong-doings. See what the poster looks like in the Appendix.

Violations include, but are not limited, to the following:

- Theft or misuse of school funds or property
- Records falsification (such as personnel records, time and attendance, or procurement)
- Abuse of authority or using position for person gain
- Receiving kickbacks
- Corruption and bribery

We take all complaints and reports seriously, and will make every effort to investigate the reports, according to the applicable laws, codes, policies, or regulations. You can assist us in our investigation by providing as much information as possible.

You are encouraged to leave your contact information to enable us to gather or clarify information as needed; however, if you remain anonymous, ensure that thorough and detailed information is provided to enable a review of your complaint.
Audit Recommendation Follow-up

OAG tracks, monitors, and periodically reports on the status of audit recommendation and corrective actions. During FY 2020, as of February 29, 2020, six corrective actions associated with four performance audits and all FY 2019 Business Process Turnover Audits (BPTAs) have been implemented and closed.

Audit Recommendation Follow-up Reporting

<table>
<thead>
<tr>
<th>Audit Type (Report Date)</th>
<th>Total</th>
<th>Total Closed</th>
<th>Total Open / Past Due</th>
<th>Total Closed in FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Audits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Transportation (February 2018)</td>
<td>2</td>
<td>2</td>
<td>0 / 0</td>
<td>1</td>
</tr>
<tr>
<td>Facilities Maintenance (June 2018)</td>
<td>5</td>
<td>0</td>
<td>5 / 5</td>
<td>0</td>
</tr>
<tr>
<td>Adult and Community Education (June 2018)</td>
<td>2</td>
<td>2</td>
<td>0 / 0</td>
<td>1</td>
</tr>
<tr>
<td>Use of Trades and Staffing Reserve (March 2019)</td>
<td>3</td>
<td>2</td>
<td>1 / 0</td>
<td>2</td>
</tr>
<tr>
<td>Medicaid Reimbursement Program (April 2019)</td>
<td>4</td>
<td>4</td>
<td>0 / 0</td>
<td>2</td>
</tr>
<tr>
<td>Grant Administration, Accounting, and Monitoring (February 2020)</td>
<td>5</td>
<td>0</td>
<td>5 / 0</td>
<td>0</td>
</tr>
<tr>
<td>Time and Attendance (February 2020)</td>
<td>6</td>
<td>0</td>
<td>6 / 0</td>
<td>0</td>
</tr>
<tr>
<td>Performance Audit Subtotal</td>
<td>27</td>
<td>10</td>
<td>17 / 5</td>
<td>6</td>
</tr>
<tr>
<td>FY 2019 BPTAs (Various)</td>
<td>19</td>
<td>19</td>
<td>0 / 0</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>46</td>
<td>29</td>
<td>17 / 5</td>
<td>25</td>
</tr>
</tbody>
</table>

FY 2021 Risk Assessment and Audit Plan

Annually, OAG conducts an independent risk assessment to evaluate the financial, operational and reputational risks faced by FCPS. OAG develops its annual audit plan based upon the risk assessment results. The objectives of OAG’s audit plan are:

- To accomplish OAG’s mission, which is to independently determine whether the existing processes for FCPS are adequately designed, operating in an efficient, effective manner, and fully accountable to the Fairfax County citizens, and
- To promote FCPS achievement of its strategic goals, particularly in the area of resource stewardship

<table>
<thead>
<tr>
<th>Task</th>
<th>Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Identification of potential audit topics</td>
<td>September – November</td>
</tr>
<tr>
<td>2. FCPS employees' inputs</td>
<td>December – February</td>
</tr>
<tr>
<td>3. School Board and Audit Committee inputs</td>
<td>March</td>
</tr>
<tr>
<td>4. OAG drafting of FY 2021 risk assessment audit plan document</td>
<td>April</td>
</tr>
<tr>
<td>5. Audit Committee meeting discussions</td>
<td>May – June</td>
</tr>
<tr>
<td>6. School Board review and approval</td>
<td>July</td>
</tr>
</tbody>
</table>

OAG presents the results of the risk assessment to the Audit Committee and School Board annually through the proposed audit plan.
Audit Buzz

OAG’s periodical, Audit Buzz, provides an update into our office’s work by summarizing the results of completed audit projects, describing upcoming audits, and providing insight into other audit-related tasks. The newsletter, which can be found on OAG’s webpage, is also distributed via the weekly Employee News and Infogram shortly after publishing.

Subscriptions to Audit Buzz are available via FCPS News You Choose.

Training and Education

From July 1 through March 5, 2020, OAG provided 18 presentations to over 900 FCPS employees, including FCPS school administrators and departmental personnel, as well as community members. Comparatively, during all of FY 2019, OAG provided 21 presentations to nearly 850 FCPS employees.

FY 2020 School Financial Conference

OAG had a break-out session at the School Finance Conference held at Gatehouse in January 2020. Throughout the day, OAG presented to over 160 school finance technicians and administrative assistants. In addition to educating the finance technicians and administrative assistants about OAG's role at FCPS, participants were provided the opportunity to learn about emerging risks and fraud schemes, as well as how to apply this knowledge to FCPS.

Inspectorate General of Indonesian Ministry of Education Delegation Visit

In September 2019, OAG welcomed audit leaders from the Inspectorate General of Indonesian Ministry of Education. Their visit, funded through a US Agency of International Development (USAID) program, with the focus to strengthen Indonesia’s community of accountability by providing integrated capacity building efforts for the judiciary, executive, and independent agencies; civil society; media; and the private sector at both the national and subnational levels. Our Audit Committee Chair, Ms. Karen Keys-Gamarra, and the entire OAG team attended and shared our day-to-day work in enhancing accountability within FCPS and audit best practices.
24/7

FRAUD, WASTE, AND ABUSE HOTLINE

571-423-1333
Leave voicemail. Caller ID is not identified.

Types of Matters to Report
- Theft or misuse of school funds or property.
- Records falsification (such as personnel, time and attendance, or procurement).
- Abuse of authority or using position for personal gain.
- Receiving kickbacks.
- Corruption and bribery.

Reporting Tips
- Organize your thoughts. Make the call. Speak clearly.
- Be specific. Your call is anonymous. We cannot call back to verify details.

Protect Fairfax County Public Schools’ Future
- Any suspected fraud, waste, or abuse should be reported immediately.

For details, visit www.fcps.edu and search “Fraud”