



Business Process Audit Mantua Elementary School Report Reference Number: 23-13138

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Prepared by
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Executive Summary

This audit report summarizes the results of the Office of Auditor General's Business Process Audit at Mantua Elementary School conducted on November 14, 2022. The audit was performed in accordance with the Fiscal Year (FY) 2023 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 2023. There was one moderate and two low risk findings identified during the audit.

We appreciate the consultation, cooperation, and courtesies extended to our staff by the administrative assistant (AA) and principal at Mantua 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 on (1) changes in management/staff, (2) the results of the continuous audit process, or (3) situations as deemed necessary. The potential risks are (1) job duties not performed in accordance with required policies, procedures, and guidance; and (2) questionable transactions not timely identified. The primary regulations include, but are not limited to:

- Regulation 5111 *Financial Management Reports (FMR)*
- Notice 5111 *Financial Management Report (FMR) Distribution and Reconciliation Schedule*
- 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 2023 financial activity. The audit's objectives were to:

- Evaluate the effectiveness of processes and 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

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 administrative assistants 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.

To satisfy the audit objectives, OAG performed the following:

- Met with school-based staff.
- Reviewed relevant laws, rules, FCPS policies and regulations.
- Reviewed prior audits and reviews.
- Performed a test of transactions, on a sampling basis, to ensure expenditures are accurate and allowable, complied with FCPS requirements, and proper supporting documentation is maintained.

Sample Selection

Procurement Card, Cash Disbursements, and Deposit Transactions

OAG utilized IDEA, data analytical software to randomly select samples, as follows:

- Ten appropriated procurement card transactions,
- Ten nonappropriated procurement card transactions,
- Ten cash disbursement transactions,
- Five voided cash disbursement transactions
- One cash receipt transaction, and
- Ten voided cash receipt transactions

Bank, Procurement Card and Expenditure Reconciliations and Asset Security Procedures

OAG reviews current reconciliations, as follows:

- Three most current months of bank reconciliations,
- Most current Financial Management Reports (FMR) reconciliation,
- Three most current months of appropriated procurement card reconciliations for up to two procurement cards,

- Three most current months nonappropriated procurement card reconciliations for up to two procurement cards, and
- Review of physical assets such as procurement cards, check stock, and safe management.

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

High (one or more of these 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 program/operational objectives.
Moderate (one or more of these 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 operations.
Low (one or more of these 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 operations.

All completed Business Process 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 two low risk findings which are detailed below:

Finding 1 – Sufficient Documentation – Procurement Card Purchases
Risk Rating – Moderate

Condition:

Eight out of 20 sampled procurement card purchases were made without proper supporting documentation, totaling \$1,016.21:

Item	P-Card Name	P-Card Transaction Date	Vendor	Documentation	Amount
1	Custodial Supplies	9/12/2022	THE HOME DEPOT	Purchase was made on 9/12/2022 and purchase order (PO) was approved on 9/13/2022, after purchase was made.	\$41.82
2	Mantua ES IS	9/14/2022	BARNES & NOBLE	Purchase was made on 8/19/2022 and PO was approved on 9/1/2022, after purchase was made.	\$6.39
3	Mantua ES SA 1	8/11/2022	AMAZON	Missing purchase order.	\$107.31
4	Mantua ES SA 1	10/21/2022	FCPA HIDDEN POND	Purchase was invoiced on 9/29/2022 and charged on 10/21/2022 prior to PO approval on 10/22/2022.	\$576.00
5	Mantua ES SA 1	8/9/2022	TARGET	Missing purchase order.	\$41.90
6	Mantua ES SA 1	8/11/2022	WAL-MART	Missing purchase order.	\$175.80
7	Mantua ES SA 1	10/13/2022	COX FARMS	Purchase was made on 11/3/2022 prior to PO approval on 11/4/2022.	\$50.00
8	Mantua ES SA 2	8/11/2022	EINSTEIN BROS BAGELS	Missing purchase order.	\$16.99
Total					\$1,016.21
Total Procurement Card Purchases Sampled					\$4,633.68

Criteria:

Regulation 5810 *School Activity Funds Management* states, "The principal will approve all disbursements provided proper supporting documentation such as a pre-approved purchase order and related invoice are submitted." Additionally, the *School Finance Handbook* states, "All purchases of goods or services made from school activity accounts shall be supported by the prior submission and approval of a school purchase order."

Effect:

Items purchased prior to the principal's approval could allow for funds to be misappropriated and funds managed irresponsibly.

Recommendation:

OAG recommends that all expenditures should be supported by a properly completed, approved purchase order and an original itemized receipt.

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	Action Owner(s)	Expected Completion Date
<ol style="list-style-type: none">1. Management concurs with the finding.2. Management Corrective Action:<ul style="list-style-type: none">• We have completed an extensive review of each finding and our overall processes with the support of our Region's Financial Analyst.• Based on these findings, we are working to restructure the organization and management of financial documents. This will be completed and in practice by 2/18/23.• In order to ensure proper procurement procedures take place, the principal will outline schoolwide expectation with all staff on January 3rd in a staff meeting, followed by written guidelines. The AA and the principal will maintain those expectations consistently.• Moving forward, we will ensure that all disbursements have proper supporting documentation such as a pre-approved purchase order and related invoices.3. Management concurs with the due date of February 18, 2023.	<p>Linda Shannon, Principal</p> <p>Ann Marie Delvalle, Administrative Assistant</p>	<p>2/18/2023</p>

Finding 2 – Bank Reconciliation
Risk Rating – Low**Condition:**

The bank reconciliation for the month of September 2022 had one deposit in transit greater than 30 days totaling \$68.34:

Item	Deposit Number	Date	Dollar Amount
1	852	8/18/2022	\$68.34

This deposit was incorrectly deposited into LSAF account 52550-00-4710-52-138 Educational Contingency-Community Use and as of November 14, 2022 has not been voided.

Criteria:

The FCPS *School Finance Handbook* states "Amounts listed as deposits in transit (deposits posted in Great Plains for the month being reconciled but not cleared per the bank statement at the end of a month) should appear on the bank statement within the first few days of the following month. If not, a written explanation must be provided."

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 deposits that remain outstanding should be investigated in accordance with finance guidelines.

Management Response (Not Required):

A management response is not required for this finding due to the low 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.

Finding 3 – Non-Bank Reconciliation

Risk Rating – Low

Condition:

While reconciliations were being completed, they were not consistently signed and/or dated to evidence approval and timely completion, as follows:

- Two appropriated procurement card reconciliations for the three months sampled were not signed and dated by the principal and administrative assistant (AA). Specifically, July, August, and September 2022 reconciliations for Mantua ES IS and Mantua ES SE procurement cards were not signed and dated by principal and administrative assistant.
- Two non-appropriated procurement card reconciliation for the three months sampled were not signed and dated by the principal and administrative assistant. Specifically, July and September 2022 reconciliations for Mantua ES SA1 and August 2022 reconciliation for Mantua ES SA2 procurement cards were not signed and dated by principal and administrative assistant.

OAG would like to note that evidence was available to show that the monthly procurement card transactions were being reviewed; therefore, the risk rating is low. Also, the appropriated procurement card transactions are reviewed monthly during the FMR reconciliation process by the principal and AA and evidence of this review was available.

Criteria:

Regulation 5350 *Procurement Card Management* states, "The reconciler must initial and date the procurement card statement when the reconciliation is complete and to verify receipts for all transactions are attached." It also states that "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 not being completed timely could allow procurement transactions to go unverified and funds to be misappropriated.

Recommendation:

OAG recommends that reconciliations be signed and dated to evidence timely completion and approval.

Management Response (Not Required):

A management response is not required for this finding due to the low 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.