



Business Process Audit Whitman Middle School Report Reference Number: 23-13221

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Executive Summary

This audit report summarizes the results of the Office of Auditor General's Business Process Audit at Whitman Middle School conducted on December 6, 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 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 Whitman Middle 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 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.

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 Selection¹

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

¹ Transaction samples are pulled from the available population and can result in less transactions being tested than what is stated above.

- 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 low risk finding which is detailed below:

Finding 1 – Sufficient Documentation – Procurement Card Purchase
Risk Rating – Low

Condition:

One out of four sampled nonappropriated procurement card purchases were made without proper supporting documentation, totaling \$157.73:

Item	PCard Name	Procurement Card Transaction Date	Vendor Name	Documentation	Dollar Amount
1	WHITMAN MS SA1	9/16/2022	Krispy Kreme	Purchase was made on 9/16/2022 prior to purchase order (PO) approval on 9/19/2022.	\$157.73
Total Procurement Card Purchases Sampled					\$797.73

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." 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:

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 follow FCPS policy with the principal approving the expenditure prior to the purchase being made. This should be evidenced through a printed and approved Teacher Outreach Program Support (TOPS) purchase order. Additionally, the expenditure should be supported by an original itemized receipt.

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.