

1.1 FY23 OAG Internal Audit Status
 For the Audit Committee in February 2023

	2022						2023					
	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1. Comprehensive Program Review of FCPS' Special Education Services	Completed											
2. IT Technology Platform Implementation and Hardware Acquisition & Management (Carryforward)	Completed											
3. Legal Audit (Carryforward)	Completed											
4. Local School Activity Funds Audit - June 30, 2022 (Carryforward)	Completed											
5. Employee Evaluation Process Audit												
6. Continuous Monitoring, including ESSER III expenditures	Ongoing											
7. IT Cybersecurity Audit						PIn			Exe		Rpt	
8. Local School Activity Funds Audit - June 30, 2023												
9. Succession Planning and Leadership Development Audit			Completed									
10. Other OAG Duties - Business Process Audits - FY24 Risk Assessment - Recommendations Follow-up - Peer Review Readiness - Outreach and Education	Ongoing											

Planning (PIn), Execution (Exe), Reporting (Rpt) determined once scoping complete

Key Updates

A. Comprehensive Program Review of FCPS' Special Education Services: OAG completed our role as the project liaison on this review. This non-audit service engagement does not require OAG to conduct follow-up activities.

B. Employee Evaluation Process: OAG is in the planning phase of the audit and the timeline will be updated upon completion of planning.

C. Continuous Monitoring: The next ESSER III expenditures review will begin Spring 2023.

D. IT Cybersecurity: OAG finalized the planning phase of the audit and made an update to the scope of work. The final audit objectives are (a) to assess the sufficiency in monitoring the security of FCPS' IT network, both schools and non-school based environment; (b) to evaluate compliance with applicable FCPS' policies and regulations, and their reasonableness and applicability in the current IT environment; (c) to determine if the Department of Technology processes are aligned with leading practices to manage network security to protect the information they hold; (d) to determine opportunities for employee awareness of IT security and evaluate the effectiveness.

The original scope of work included (a), (b), and (c). The original objective (d) was to survey employees understanding towards IT security.

E. Succession Planning and Leadership Development: OAG has completed this audit, see agenda item 3.1.

F. Other OAG Duties:

(a) **Business Process Audits:** OAG has completed five Business Process Audits (BPAs), see agenda item 4.1. The remaining BPAs for FY23 will be completed by May 2023.

(b) **FY24 Risk Assessment:** OAG will begin risk assessment process with the School Board/Audit Committee in February/March 2023.

(c) **Peer Review Readiness:** As promulgated by Generally Accepted Government Auditing Standards, OAG must obtain an external peer review that is conducted by a peer review team that is independent of the audit organization. The peer review team is scheduled to be onsite April 24 - April 28.

(d) **Outreach and Education:** OAG is collaborating with Division Counsel and Human Resources to provide training on internal investigations in May 2023.

Appendix to Document 1.1 FY23 OAG Internal Audit Status

1. Comprehensive Program Review of FCPS Special Education Services

Carried over from FY22 Audit Plan

Non-audit service

The Individuals with Disabilities Education Act (IDEA) requires local education agencies, such as FCPS, to provide students with disabilities a free appropriate public education, including special education and related services according to each student's Individualized Education Program (IEP). The purpose of an IEP is to provide a plan to help a student meet individual outcomes or goals beyond his or her current skills.

According to the FY21 Approved Budget, for special education, the average cost per pupil is \$26,146 and average cost per service is \$15,166. Comparatively, the average cost per pupil for general education is \$13,908.

In December 2019, there was a School Board forum topic which requested OAG to amend the annual audit plan to address ongoing concerns related to IEP compliance, inclusion, professional development, and reporting. In May 2020, FCPS issued a Request for Proposal (RFP) to solicit proposals for the provision of a comprehensive review of FCPS' special education services. As a result of the RFP, FCPS identified American Institutes for Research to perform this review, while OAG serves as the project liaison.

Primary objectives of this review are (a) to evaluate the design, structure, and established processes of educational services offered by FCPS in meeting the needs of students with disabilities, and the degree of fidelity of implementation of special education services at schools, as well as the continuous monitoring of the effectiveness of the processes; (b) to evaluate the adequacy of human capital resources assigned to special education students, the qualification of the staff, and the level of professional development received by them; (c) to analyze to what degree implementation of special education services at schools aligns with evidence-based practices; and (d) to evaluate the effectiveness of communication strategies to keep stakeholders informed about services for students with disabilities.

In serving as the project liaison, OAG provides oversight and ensures that the required tasks are completed in a timely manner; helps identify the key point of contacts within FCPS; monitors completion and delivery of key milestones and timeline; coordinates regular status update meetings; be informed of any requests related to this comprehensive review; be informed of any anticipated challenges and potential delays to meet the established timeline; and be informed of any potential staff changes and responsible to review resumes of the replacement candidates. This comprehensive review is estimated to take two years to complete, with annual reporting to School Board. Final report is expected to be presented to the School Board in fall 2022.

2. IT Technology Platform Implementation and Hardware Acquisition & Management

Carried Over from FY22 Audit Plan

The mission of Department of Information Technology (DIT) is to provide information technology leadership, products, and services for FCPS and to manage division wide information resources ensuring security and integrity. Under DIT, the Office of Information Technology Support Services (ITSS) provides leadership in delivering cutting-edge information technology products and services to FCPS. ITSS is committed to helping FCPS students, parents, teachers, administrative and support staff benefit from the rapidly changing technological world. This function is particularly critical in the virtual learning environment.

During FY20 and FY21, with virtual learning becoming the major means of instruction, DIT plays a critical role to ensure the successful implementation of the technology platforms and the hardware purchases to support virtual learning. According to DIT, during FY21, 36,925 laptops were purchased with approximately \$18M, which was covered by CARES funding. 5,000 MiFi were purchased at a cost of \$382,600 of which 2/3 of the cost was covered by CARES funding. Other IT hardware purchases will also be included in this audit (see “preliminary objectives” below).

Areas of potential risk are improper project management, improper procurement of IT inventory, the misuse of funds and potentially the replacement of lost equipment due to inadequate tracking and management of IT equipment. This may lead to FCPS operating in a costly and inefficient manner and not being accountable to the Fairfax County citizens.

Preliminary objectives of this audit are: (a) to evaluate the project management in DIT associated with the technology platform implementation, whether the process is clearly defined and the critical project management components are documented, including establishing goals and objectives, budget and resources, and key performance indicators or other useful decision making information; (b) to identify and review the decision process for IT hardware purchases; (c) to review and evaluate the controls established for the distribution of physical IT assets (such as laptops, MiFi devices); and (d) to determine if there are adequate controls to properly track the assets. This performance audit is estimated to take eight to ten months to complete.

3. Legal Audit

Carried over from FY22 Audit Plan

FCPS' Division Counsel oversees the in-house legal office and work performed by external counsel. The external counsel consists of several law firms that generally offer special expertise, an independent perspective, and additional resources to take on more legal matters than the in-house team can handle. The average external counsel fees have increased from 2015-2018 (average annual approximately \$1.9M) to 2019-2021 (average annual approximately \$5.6M) as a result of increased case volume and complexity.¹ Separately,

¹ OAG obtained the financial information from the FOCUS data warehouse.

there has been a 20% increase in FCPS FOIA requests from 2019 to 2020, and there has been a 142% increase in total FCPS FOIA requests from 2016 to 2020. In the first six months of 2021, FCPS almost matched the requests received in a full year for most previous years (334 requests to June; with an annual projected rate of 668 requests.)

Areas of potential risk could lead to payments for legal services that are excessive or not consistent with similarly sized organizations and/or improperly releasing confidential or privileged information leading to noncompliance with federal regulations causing reputational and financial harm to FCPS.

The audit objectives are to audit the external counsel engagement process, the related expenditure, and the related Freedom of Information Act (FOIA) process.

The School Board may consider engaging an external counsel to serve as the legal subject matter expert, to advise OAG upon the structure and substantive execution. Additionally, based upon the outcomes of this audit, certain aspects of the outcomes may be subject to FOIA disclosure exemption.

This performance audit is estimated to take five months to complete.

4. Local School Activity Funds for Year ending June 30, 2022

Carried Over from FY22 Audit Plan

In accordance with the Code of Virginia (8VAC20-240-40), all Local School Activity Funds (i.e. including all the approximate 200 FCPS sites) shall be audited annually no later than the end of the following fiscal year. These audits require verification that local school financials and year-end (i.e. June 30) cash reporting are not materially misstated. In addition, OAG reviews selected revenue and expenditure transactions, including purchases made using nonappropriated procurement cards, to ensure that transactions are processed according to the applicable FCPS policies, regulations, or guidance. The final division-wide report is expected to be presented to the Audit Committee in October 2022.

5. Employee Evaluation Process

Postponed from FY22 Audit Plan

FCPS performance assessment process and evaluations are designed to provide all employees with increased opportunities for professional growth and development. This process is based on a supervisory cycle of reflection, observation, and discussion that leads to employee improvement. Employees are assessed from the beginning of service and the results are reported regularly in an evaluation. Discussions regarding performance occur between the evaluator and the employee throughout the process. Employees have multiple opportunities to refine or enhance their skills.

The number of employees who were in the evaluation cycles as of January 2021 were approximately 15,000.

Areas of potential risk are inconsistent application of performance assessment and evaluation process, which could lead to reputational and legal risks, and challenges in retaining talents in the system.

Preliminary objectives of this audit are: (a) to evaluate the existing employee evaluation process; (b) to evaluate how the process is managed at departments, offices and schools; and (c) to benchmark existing processes used by other school districts to identify best industry leading employee evaluation practices. The above objectives may be impacted by changes at the state level. This performance audit is estimated to take five months to complete.

6. Continuous Monitoring, including ESSER III expenditures

OAG will further pursue continuous monitoring on school based and non-school based financial and non-financial data. Utilizing technology-based audit techniques to analyze patterns and trends, and select and test transactions, these methods will enable our office to further understand risks and identify exceptions in a timely and efficient manner. Technology-based resources allow users to import an infinite number of records and execute audit specific commands to search for duplicates, detect gaps in numeric sequences, group data by categories, and filter numerous rows and columns of data in seconds.

Additionally, OAG will perform testing on ESSER III transactions to: (a) assess compliance with applicable regulations, policies, and grant agreements; (b) determine if internal controls are adequate and functioning as intended, and (c) determine if transactions are allowable, do not appear to be fraudulent, and proper supporting documentation is maintained. Based upon the FY22 Continuous Monitoring results, OAG may expand scope in FY23, such as equipment management, grant amendments and budget transfers.

7. IT Cybersecurity

Cybersecurity is the art of protecting networks, devices, and data from unauthorized access or criminal use and the practice of ensuring confidentiality, integrity, and availability of information, according to the Cybersecurity & Infrastructure Security Agency.

The Department of Information Technology Office of Cybersecurity (OCS) is responsible for protecting FCPS' information. OCS protects the digital information and privacy of our students and staff across the enterprise, ranging from phones and laptops to cloud-based systems. OCS goal is to provide a secure and reliable infrastructure that enables staff and students to engage, inspire, and thrive.

Areas of potential risk are the exposure or loss resulting from a cyber attack or data breach on FCPS.

Preliminary objectives of this audit are: (a) to assess the sufficiency in monitoring the security of FCPS' IT network, both schools and non-school based environment; (b) to evaluate compliance with applicable FCPS' policies and regulations, and their reasonableness and applicability in the current IT environment; (c) to determine if the Department of Technology processes are aligned with leading practices to manage network security to protect the information they hold; (d) to survey employees understanding towards IT security. This audit is

estimated to take six months to complete.

NOTE: The outcomes of this audit may be subject to the FOIA exemption from public discussion.

8. Local School Activity Funds for Year ending June 30, 2023

Please refer to (4) Local School Activity Funds Audit for Year ending June 30, 2023 for scope of work. The Final Division-wide report is expected to be presented to the School Board Audit Committee in October 2023.

9. Succession Planning and Leadership Development Audit

Effective succession planning and leadership development is imperative to the continuity of FCPS operations. Succession planning and leadership development acknowledge that staff will not be with FCPS indefinitely and having a sound program related to these topics will address changes that will occur when staff leave.

The Office of Professional Learning and Family Engagement (OPLFE) leads and provides dynamic professional development and family learning experiences that cultivate a community of learners where families, staff, and stakeholders partner to ensure students are inspired, engaged, and thriving. The professional growth and career development team, specifically, builds adult learners' capacity to advance the achievement of all students and to close achievement gaps through dynamic and personalized professional learning for FCPS administrators, leaders, teachers, and support employees. This team includes leadership development, systemwide professional development, and the instructional coaching program.

Areas of potential risk are that if employees, with leadership roles, decided to depart from FCPS, without a sound succession planning and development program, the operation will suffer, leading to lower productivity and quality of work; and thus could not accomplish FCPS mission.

Preliminary objectives of this audit are: (a) to determine whether FCPS has developed and executed a succession plan & leadership development strategy (including considerations of onboarding², on-going development, and knowledge management) for coordinators and above, and school-based administrators; (b) to determine whether FCPS has analyzed coordinators and above, and school-based administrators' profile and statistics, such as leadership skill gaps; and (c) to research and benchmark best practices for succession planning and leadership development and compare concepts with FCPS' current practice. This performance audit is estimated to take five months to complete.

The main point of contact for this audit will be OPLFE. OAG will reach out to the Office of Superintendent and Department of Human Resources, for support, if necessary.

² OAG will review what has been implemented from the FY22 OAG *Hiring and Onboarding Audit* report, management's response to *finding #6 – Effective Onboarding Practices and Professional Development, related to leadership development*.

10. Other OAG Duties

In addition to the engagements listed above, OAG will perform the following activities in FY23:

- (1) **Audit Committee Meetings** – OAG presented our work progress and audit reports to the Audit Committee monthly.
- (2) **Business Process Audits** – These audits will be performed on an ad-hoc basis depending on the results of the Continuous Monitoring; departures or additions in principals, finance technician/administrative assistants, or management/staff; or situations as deemed necessary. Areas of potential risk are controls may not be in place or followed, and questionable transactions not timely identified. The focus of these audits is to evaluate the effectiveness of office processes and compliance with applicable regulations and policies; determine if controls are adequate and functioning as intended; and determine if transactions are reasonable and do not appear to be fraudulent. Additionally, OAG may expand current tests to include physical and IT access controls.
- (3) **Fraud, Waste and Abuse Inquiry** – OAG administers the FCPS Fraud, Waste, and Abuse hotline and receives inquiry via the internalaudit@fcps.edu email account, direct mails and walk-ins. OAG supports the internal review of the received information, through collaboration with Department of Human Resources and Division Counsel, in accordance with FCPS Regulation 1410.
- (4) **OAG Annual Report** – OAG produces an annual report, which summarizes OAG's mission and charter, accomplishments, and upcoming projects for the School Board. OAG will deliver a comprehensive annual report and provide regular updates to School Board and community (see "OAG Outreach and Education" below).
- (5) **OAG FY24 Risk Assessment** – A formal risk assessment is the primary tool auditors use to establish primary, secondary, and long-term priorities and develop an annual audit plan. The FY24 risk assessment process evaluates each area against a variety of risk factors including financial implication, likelihood of errors, frequency of audits, prior audit issues, complexity, and turnover. The result is a combination of qualitative and quantitative data that assists in the prioritization of audit topics.

Additionally, OAG will explore to facilitate regular risk discussions throughout the year with departments and offices, aimed at identifying the most significant risks facing FCPS and monitoring management's mitigation strategies to address those risks.

- (6) **OAG Outreach and Education** – In order to enhance awareness of OAG's mission and results for internal and external stakeholders, OAG will continue to publish Audit Buzz; collaborate with School Board members to communicate OAG results through member newsletters and other postings; and provide relevant training and education (such as school based administrator training, and finance technician conference). OAG is a certified National Association of State Boards of Accountancy (NASBA) Continuing Professional Education (CPE) provider, on behalf of FCPS. FCPS can award employees with education credits required to maintain certification status, such as Certified Public Accountants or Certified Internal Auditors. OAG plans to provide continuous professional training to employees.

- (7) **OAG Staff Professional Development** – Government Auditing Standards require that staff performing work under the standards maintain their professional competence through CPE. Staff should complete, every two years, at least 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment in which the audit entity operates. Staff who are involved in any amount of planning, directing, or reporting on assignments, and those who charge 20 percent or more of their time to these assignments should also obtain at least an additional 56 hours of CPE (for a total of 80 hours every two years) to enhance audit professional proficiency. Staff holding professional certifications are required to obtain an average of 40 CPE hours per year to maintain their certification status. All staff must obtain their required CPE for the current calendar year prior to December.
- (8) **OAG Peer Review Readiness** – As promulgated by Generally Accepted Government Auditing Standards, OAG must obtain an external peer review that is conducted by a peer review team that is independent of the audit organization. The peer review team will determine whether OAG 's system of quality control is suitably designed and whether OAG is complying with the quality control system for reasonable assurance that OAG is performing and reporting in conformity with professional standards and applicable legal and regulatory requirements. OAG plans to have our peer review performed during FY23.
- (9) **Recommendations Follow-Up** – OAG performs regular follow-ups to determine if timely corrective actions have been put in place to address findings identified during audits.