



Business Process Audit Jackson Middle School Report Reference Number: 23-13081

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Executive Summary

This audit report summarizes the results of the Office of Auditor General's (OAG) Business Process Audit at Jackson Middle School conducted on December 8, 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 high and four low risk findings identified during the audit.

We appreciate the consultation, cooperation, and courtesies extended to our staff by the finance technician (FT) and principal at Jackson 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 Fairfax County Public Schools (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 PaymentNet, Great Plains, and Fairfax County Unified System (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 non-appropriated procurement card transactions,
- Ten cash disbursement transactions,
- Five voided cash disbursement transactions
- One cash receipt transaction, and
- Ten voided cash receipt transactions.

Bank and Procurement Card Reconciliations and Asset Security Procedures

OAG reviews current reconciliations, as follows:

- Most current month FMR reconciliation,
- Three most current months of bank reconciliations,
- Three most current months of appropriated procurement card reconciliations for up to two procurement cards,
- Three most current months non-appropriated procurement card reconciliations for up to two procurement cards, and

- Review of physical assets such as procurement cards, check stock, and safe management.

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

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 high and four low risk findings, as follows:

Finding 1 – Non-Bank Reconciliation

Risk Rating – High

Condition:

As of December 8, 2022:

- a) Financial Management Report (FMR) reconciliations for FY 2023 were not completed and approved in the online application or printed, signed, and dated by the principal and reconciler as follows:

Month	Month-end Close	Available On	Reconciliation Due	Reconciliation Complete
July 2022	August 5, 2022	August 9, 2022	August 31, 2022	No
August 2022	September 9, 2022	September 13, 2022	September 30, 2022	No
September 2022	October 7, 2022	October 11, 2022	October 31, 2022	No
October 2022	November 4, 2022	November 8, 2022	November 30, 2022	No

- b) Procurement card reconciliations for the three months sampled were not signed and dated by the principal and finance technician. Specifically:
- August, September, and October 2022 reconciliations for JACKSON MS IS and JACKSON MS SD appropriated cards were not signed and dated by the principal and finance technician.
 - August, September, and October 2022 reconciliations for JACKSON MS SA1 and JACKSON MS SA2 non-appropriated cards were not signed and dated by the principal and finance technician.

OAG noted that there was evidence of reconciliation on each of the procurement card statements.

Criteria:

- a) Regulation 5111 *Financial Management Reports (FMR) Reconciliation* establishes the responsibilities and procedures for the reconciliation of the monthly FMR. Per the regulation, "principals or program managers must ensure the timely reconciliation, review and certification of the Financial Management Position Report (FMPR) and Financial Management Expenditure Report (FMER) as set forth in Notice 5111." For the FMPR and FMER, "[the reconciler will] provide principals or program managers with the completed reconciliation (signed and dated hard copy required as evidence of review) and supporting documentation for their review. Principals or program managers are required to sign and date the monthly FMPR/FMER reconciliation report. Principals or program managers are required to certify that the reconciliation is complete and approved using the FMR application."
- b) 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, "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 FMR and procurement card transactions to go unverified and funds to be misappropriated.

Recommendation:

OAG recommends that all reconciliations for FY 2023 are completed, reconciling items be reviewed in a timely manner, and that reconciliations be printed, signed, and dated to evidence timely completion and approval.

Management Response (Required):

A management response is required for this finding due to the high 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.

School Management's Response:

On September 19, 2022, a new principal assumed the role at Luther Jackson Middle School. On September 20, 2022, the new principal met with the finance tech to review the school's finances and determined that an audit was needed based on her findings during the meeting. On September 21, 2022, the principal requested assistance initiating a financial audit from the region. The region submitted the audit request to the finance office on September 21, 2022. The principal requested assistance from the finance office with establishing sound financial processes and on-site assistance to work through backlogged financial processes on September 28, 2022 and was told that no one was available to provide the requested assistance. The principal was directed to HR to request that a retired financial clerk be obtained on an hourly basis for assistance and coaching for the school's finance clerk, but no one was available.

Planned Action	Action Owner(s)	Expected Completion Date
Management concurs with the finding. FMR reconciliations will be completed, printed, signed, and dated, indicating that they have been reconciled and reviewed. Recurring meetings will be scheduled to review all reconciliations.	Principal, finance technician	April 8, 2023

Region Assistant Superintendent's Response:

The executive principal for Region 2 schools will meet with the principal and the school finance technician to discuss this important finding. During this discussion, the following expectations will be set, and the executive principal will follow up to ensure the expectations are being executed.

- The principal and finance technician will create recurring calendar appointments to meet three times a month to review all reconciliations. These documents will be printed, signed, and dated, indicating that they have been reconciled and reviewed at these meetings.
 - Local School Funds, Bank Statement – a review schedule will be pre-planned for the remainder of the year based on the deadlines provided by Finance. During this review, all documents will be reviewed by both parties, signed, and dated.

- JP Morgan Credit Card Statements – a review schedule will be pre-planned for the remainder of the year based on the local school funds and appropriated fund credit card due dates.
 - The local school fund credit card(s) statement should be pulled no later than the 18th of each month, with the review meeting completed no later than the 20th of each month. In this review, all credit card statements must be included: PO, approval (dated before the PO was created), invoice, receipt, and date the item was received. All documents must match the credit card statement amount.
 - The appropriated credit card(s) should be pulled and reconciled no later than the 27th of each month, and the review meeting should happen no later than the 30th of each month. In this review, all credit card statements must be included: PO, approval (dated before the PO was created), invoice, receipt, and date the item was received. All documents must match the credit card statement amount.
- FMR – the finance technician will pull all the FMRs no later than the 18th of each month. A review schedule will be pre-planned for the remainder of the year based on the deadlines provided by Finance. The FMR is to be reviewed, signed, and dated by the principal and the finance technician no later than the 28th of every month. The online approval must be completed after the papers are signed and no later than the last day of the month.

Finding 2 – Bank Reconciliation

Risk Rating – Low

Condition:

Monthly bank reconciliations were not consistently signed and/or dated to evidence approval and timely completion, as follows:

- The October 2022 bank reconciliation and bank statement were not signed and dated by the principal as of December 8, 2022.

Criteria:

The FCPS *School Finance Handbook* states, "The FT/AA will perform bank reconciliations in a timely manner. The principal is responsible for the safeguarding, managing, and accounting of school activity funds." This includes ensuring that "monthly bank reconciliations are completed on a timely basis." The School Finance Handbook also states, "The Principal must sign and date the actual bank statement." In addition, Regulation 5910 *Monetary Receipts* states, "All reconciliations must be reviewed and signed by the program manager."

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 the principal sign and date the bank reconciliation and statement to show evidence of timely review and approval.

Management Response (Not Required):

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

Finding 3 – Sufficient Documentation – Procurement Card Purchases

Risk Rating – Low

Condition:

Three sampled procurement card (PCard) purchases were made without proper supporting documentation, totaling **\$860.95**. The sample consisted of 20 transactions, totaling \$4,959.83.

Item	PCard Name	PCard Transaction Date	Vendor Name	Documentation	Dollar Amount
1	JACKSON MS SHOP (appropriated)	10/1/2022	KAHOOT! ASA	Purchase Order*	\$108.00
2	JACKSON MS SA1 (non-appropriated)	7/18/2022	TRIPLE TIMES TEES	Purchase Order created 7/21/2022, after transaction occurred 7/15/2022	\$390.00
3	JACKSON MS SA1 (non-appropriated)	8/18/2022	VOCELLI PIZZA	Purchase Order created 8/19/2022, after transaction occurred 8/18/2022	\$362.95

* Item one was approved as a one-time occurrence in the previous fiscal year, but the card information was stored with the vendor and was automatically charged for a renewed subscription.

Criteria:

Regulation 5350 *Procurement Card Management* states, "The principal/program manager or designee is responsible for preauthorizing procurement card purchases." It also states, "The registering and storing of the procurement card number on online accounts or vendors is prohibited unless authorized by the Office of the Comptroller."

Effect:

Items purchased prior to the principal's approval could allow for funds to be misappropriated and funds managed irresponsibly and storing card information on vendor sites may allow for accidental charges to occur that were not approved.

Recommendation:

OAG recommends that all expenditures should be supported by a properly completed and approved purchase order, and that card information is removed from online vendor accounts once a purchase is made.

Management Response (Not Required):

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

Finding 4 – Sufficient Documentation – Cash Disbursements

Risk Rating – Low

Condition:

One sampled cash disbursement was made without proper supporting documentation. The sample consisted of five disbursements, totaling \$24,394.89.

Item	Check Number	Check Date	Payee Name	Documentation	Dollar Amount
1	108101925	8/2/2022	RACHEL ANN THOMPSON/SR GROUP LLC	Purchase Order created 8/1/2022, after invoice received 5/25/2022	\$325.00

Criteria:

Regulation 5810 *School Activity Funds Management* states, "Purchase orders must be preapproved by the principal or designee, before obligating school activity funds."

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 and approved purchase order.

Management Response (Not Required):

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

Finding 5 – Timely Payments

Risk Rating – Low

Condition:

One sampled cash disbursement was not paid timely. The sample consisted of five disbursements, totaling \$24,394.89.

Item	Check Number	Payee Name	Payment Due Date	Actual Date Paid	Invoice Amount
1	108101925	RACHEL ANN THOMPSON/SR GROUP LLC	6/24/2022	8/2/2022	\$325.00

No late fees were applied.

Criteria:

Regulation 5810 *School Activity Funds Management* states, "Disbursements must be processed in a timely manner to avoid late fees and take advantage of discounts."

Effect:

Late payments may result in unnecessary late fees being applied.

Recommendation:

OAG recommends that obligations should be paid promptly to avoid penalty fees.

Management Response (Not Required):

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