



**Topic/Issue:** Business Process Audits (BPA)

**Meeting and Date:** Audit Committee – May 10, 2023

**Staff Lead:** Joni White and Luke Robertson

Ignite link: Goal 4 – Resource Stewardship

**1. Why Office of Auditor General (OAG) did this audit**

These audits are 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 objectives of BPA are 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

**2. Summary (key points)**

BPA were completed at six sites resulting in one high risk finding, three moderate risk findings, and 11 low risk findings, which are summarized below:

Schools*	Sufficient Documentation	Non-bank Reconciliations	Bank Reconciliations	Purchasing Process	Incorrect Account Charged	Outstanding Deposits	Timely Payments	Total
1. Annandale HS	0	0	1	1	0	0	0	2
2. Bucknell ES	1	1	0	1	0	0	1	4
3. Herndon MS	0	0	0	0	0	0	0	0
4. Justice HS	1	1	0	0	1	1	0	4
5. Mount Vernon HS	1	1	0	1	0	0	0	3
6. Irving MS	0	1	0	1	0	0	0	2
<b>Total Findings</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>15</b>

\* ES - Elementary School; MS - Middle School; HS - High School

**Moderate risk criteria:** Compliance with FCPS policies and established procedures is inadequate; controls were not consistently applied which increased the severity of the risk.

**High risk criteria:** Compliance with regulations is inadequate; controls are not in place or are inadequate; issues are identified that could negatively impact the achievement of program/operational objectives.

At **Mount Vernon HS**, the one high risk finding was due to non-bank reconciliations completed for FY23. OAG noted that the Financial Management Report (FMR) for January 2023 was not reconciled, and the Financial Management Expenditure and Position Reports (FMER/FMPR) were not reconciled in the online application from August 2022 through January 2023, and December 2022 through January 2023, respectively.

OAG recommended that all reconciliations for FY23 be completed, reconciling items be reviewed in a timely manner, reconciliations be printed, signed, and dated to evidence timely completion and approval, and the online application be completed timely. Management concurred with the finding, has caught up with the previously incomplete reconciliations, and is implementing corrective actions with the expected completion date of July 17, 2023. OAG is currently working on validating the completion of the recommendations.

At **Justice HS**, the two moderate risk findings were noted: 1) transactions were charged to the incorrect account, and 2) deposits were outstanding longer than three days.

- 1) OAG noted three out of ten procurement card purchases totaling \$1,271.63 were charged to the incorrect funding account. OAG recommended that the finance technician use the correct fund account when making procurement card purchases.

- 2) OAG noted that three deposits, totaling \$7,466.15 were outstanding longer than 30 days at the time of the audit. OAG recommended that the finance technician investigate outstanding deposits in accordance with finance guidelines.

At **Irving Middle School**, the one moderate risk finding was due to purchases not being made in accordance with required procedures. One appropriated procurement card transaction for \$133.95 and one cash disbursement for \$8,562.44 were made without prior approval, totaling \$8,696.39. In addition, the appropriated procurement card transaction was for an invoice that had been outstanding since July of 2018.

OAG recommended that the school has a properly completed and approved purchase order for all transactions, before obligating funds, and that obligations should be paid promptly to avoid penalty fees. Management concurred with the finding and is implementing corrective actions with the expected completion date of September 1, 2023.

### **3. What OAG recommends**

These audits test compliance with existing regulations and policies, thus recommendations for all findings noted directly correlate to the applicable regulation/policy. A management response is required only for findings with a moderate or high-risk rating. All schools are subject to further review during the annual local school activity fund audit scheduled to be performed later in the year. The detailed results for all schools are shared with Financial Services so appropriate support and training can be provided, where needed.

### **4. Next steps/action needed**

We received a management response for findings reported with moderate or high risk rating. After these reports are discussed and reviewed at the Audit Committee, OAG will proceed with final issuance on OAG's website and BoardDocs.