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# Business Process Audit Justice High School Report Reference Number: 23-13100

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## Executive Summary

This audit report summarizes the results of the Office of Auditor General's Business Process Audit at Justice High School conducted on March 8, 2023. 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 were two moderate and two 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 Justice High 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. 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,
- Ten 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 Financial Management Report (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 two moderate and two low risk findings which are detailed below:

### Finding 1 – Incorrect Account Charged Risk Rating – Moderate

**Condition:**

Three sampled non-appropriated procurement card (PCard) transactions were charged to the incorrect account, totaling \$1,271.63. The sample consisted of ten transactions, totaling \$4,117.15.

Item	Pcard Name	Date	Vendor Name	Account	Amount
1	JUSTICE HS SA1	12/6/2022	PAPA JOHN'S #0835	41000-00-5250-41 Athletics General Other Prof Services	\$ 142.83
2	JUSTICE HS SA4	9/22/2022	AMZN MKTP US	66600-00-5910-66 Parking Fees-Clearing Exp	\$ 42.80

Item	Pcard Name	Date	Vendor Name	Account	Amount
3	JUSTICE HS SA5	11/23/2022	OPUSEVENT.COM	60701-00-5910-60 Clearing General	\$ 1,086.00

This is a repeat finding that was noted in the FY2022 Justice High School BPA (22-30100).

**Criteria:**

The FCPS *School Finance Handbook* states that the principal or program manager must "ensure transactions are posted to the appropriate expenditure accounts." Regulation 5810 *School Activity Funds Management* states that principals and school personnel must "use school activity funds solely in accordance with the purpose for which such funds were collected and support the overall educational experience of students."

The FCPS *School Finance Handbook* section in Non-appropriated Funds - Account System/Account Structure section states that, "Athletic Accounts (40000 Series) must be applied for the benefit of the athletic program. The expenditure authority lies with the corresponding coaches through the director of student activities and the Principal. Allocations may be general or specific in nature. Clearing Accounts (60000 Series) have a flow-through nature; funds move in and out in equal amounts. In general, funds are intended for specific purposes and not available for use in other activities. Examples include field trips, dishonored checks, general clearing, etc."

**Effect:**

Purchases made against the incorrect fund account may result in funds being misappropriated.

**Recommendation:**

OAG recommends that the finance technician use the correct fund account when making procurement card purchases.

**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
The finance technician uses the correct fund account when making procurement card purchases and the principal will double check before approving PO's.	Principal/Finance Clerk	June 16, 2023

**Finding 2 – Outstanding Deposits  
Risk Rating – Moderate**

**Condition:**

The bank reconciliation for the month of January 2023 had three deposits in transit totaling \$7,466.15 longer than 30 days:

Item	Deposit Number	Date	Dollar Amount
1	2563	11/16/2022	\$ 5.00
2	2624*	11/10/2022	\$ 7,455.65
3	2633	12/2/2022	\$ 5.50

\* This deposit consisted of checks that were scanned to Bank of America (BOA); however, due to an issue with BOA they were not deposited timely. The finance technician contacted BOA on 1/20/23 to correct the issue and was working with Financial Services in order to clear this outstanding deposit. OAG noted that the deposit was made on 2/9/2023 and was recognized in Great Plains during the February 2023 monthly reconciliation process.

**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 the finance technician investigate outstanding deposits in accordance with finance guidelines.

**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
The finance technician will investigate outstanding deposits in accordance with finance guidelines and communicate these findings with the principal.	Principal/Finance Tech	June 16, 2023

**Finding 3 – Non-Bank Reconciliation  
Risk Rating – Low**

**Condition:**

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

- The Financial Management Reports (FMR) for one month sampled was not signed and/or dated by the principal and the finance technician. Specifically, January 2023 Financial Management Expenditure Report and Financial Management Positions Report was not signed and/or dated or approved in the online application by principal and finance technician.
- An appropriated procurement card reconciliation for two of three months sampled was not signed and/or dated by the finance technician. Specifically, November 2022 and January 2023 reconciliations for the Justice HS SD2 and Justice HS IB procurement cards were not signed and/or dated by the finance technician.
- A non-appropriated procurement card reconciliation for one of the three months sampled was not signed and/or dated by the principal and finance technician. Specifically, January 2023 reconciliations for JUSTICE HS SA3 and JUSTICE HS SA4 procurement cards were not signed and/or dated by the principal and finance technician.

OAG would like to note that evidence of the monthly reviews was present and supporting documentation was available. Additionally, the principal and the finance technician met monthly to review all expenditures in accordance with Financial Services deadlines.

**Criteria:**

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/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."

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 or procurement transactions to go unverified and funds to be misappropriated.

**Recommendation:**

OAG recommends that the principal and finance technician sign and date reconciliations to show evidence timely completion and approval.

**Management Response (Not Required):**

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

**Finding 4 – Supporting Documentation  
Risk Rating – Low**



**Condition:**

Four sampled procurement card (PCard) purchases were made without proper supporting documentation, totaling \$5,383.40. The sample consisted of 44 transactions, totaling \$16,009.79.

Item	Pcard Name	Pcard Transaction Date	Vendor Name	Documentation	Dollar Amount
1	JUSTICE HS 2	8/12/2022	SAFEWAY 2883	Missing receipt	\$ 14.33
2	JUSTICE HS 2	9/8/2022	BJ'S WHOLESALE #0351	Missing receipt	\$ 377.92
3	JUSTICE HS IS	9/9/2022	BULK BOOKSTORE	Missing Purchase Order (PO) and receipt*	\$4,927.40
4	JUSTICE HS SA2	11/30/2022	AATF	Missing PO and receipt	\$ 63.75

\* OAG noted that an email showing principal approval prior to the purchase and a quote for the purchase was available for this transaction; however, the procurement process provided by Financial Services was not followed.

**Criteria:**

Regulation 5350 *Procurement Card Management* states, "The principal/program manager or designee must retain original charge tickets, receipts, invoices, and other supporting documentation along with the procurement card statement and the reconciliation." The FCPS *School Finance Handbook* states, "[Purchase orders] must be kept on file with all appropriate backup documentation."

**Effect:**

Items purchased without proper supporting documentation 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 (Not Required):**

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