



Business Process Audit Bucknell Elementary School Report Reference Number: 23-13207

May 2023

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Executive Summary

This audit report summarizes the results of the Office of Auditor General's Business Process Audit at Bucknell Elementary School conducted on February 16th. 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 five low-risk findings identified during the audit.

We appreciate the consultation, cooperation, and courtesies extended to our staff by the administrative assistant and principal at Bucknell Elementary 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 administrative assistants 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 five low-risk findings which are detailed below:

Finding 1 – Non-Bank Reconciliation Risk Rating – Low

Condition:

The Financial Management Report (FMR) reconciliation for one of one month sampled were not approved in a timely manner.

- December's FMR was not approved until February 16, 2023 in the Online Application. The completion date set by Financial Services (FS) was for January 31, 2023.

OAG noted that the physical FMR was completed timely by the principal and administrative assistant.

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. Additionally, "the FMR application is used to report the timely completion and certify approval of the FMPR and the FMER reconciliations on a monthly basis by principals or program managers. In addition, discrepancies identified in FMPR are reported using the FMR application for resolution by the Office of the Comptroller (OFC)."

Effect:

Reconciliations not being completed timely could allow FMR transactions to go unverified and funds to be misappropriated.

Recommendation:

OAG recommends that the principal and administrative assistant sign and date reconciliations to show evidence of timely completion and approval.

Management Response (Not Required):

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

**Finding 2– Accounting Procedures
Risk Rating – Low**

Condition:

Three out of 22 sampled procurement card (PCard) purchases were made outside of the proper purchasing process, totaling \$315.89. The sample consisted of 22 transactions, totaling \$5,521.10.

Item	PCard Name	PCard Transaction Date	Vendor Name	Notes	Dollar Amount
1	Bucknell ES IS	10/10/2022	Home Depot	Purchase made prior to the purchase order approval on 10/11/2022.	\$147.04
2	Bucknell ES SA 1	1/5/2023	Domino's 4332	Purchase made prior to the purchase order approval on 1/30/2023.	\$55.95
3	Bucknell ES SA 1	1/6/2023	Domino's 4332	Purchase made prior to the purchase order approval on 1/30/2023.	\$112.90

Criteria:

Regulation 5350 *Procurement Card Management* states, "The principal/program manager or designee is responsible for preauthorizing procurement card purchases." The FCPS *School Finance Handbook* states, "All Pcard purchases, require an approved purchase order (PO) prior to placing any Pcard orders. POs created in the teacher Online Purchasing System (TOPS) using Appropriated Funds Pcards must be printed and signed by the principal (or designee) prior to purchasing goods and services."

Effect:

Items purchased prior to the principal's approval could allow for funds to be misappropriated and funds managed irresponsibly.

Recommendation:

OAG recommends that the school has a properly completed and approved purchase order for all transactions, before obligating funds.

Management Response (Not Required):

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

**Finding 3 – Timely Payment
Risk Rating – Low**

Condition:

Two payments to JP Morgan were not paid timely resulting in finance charges, totaling \$16.18:

Item	Payee Name	Payment Due Date	Actual Date Paid	Invoice Amount
1	Finance Charge	08/29/2022	09/02/2022	\$1.84
2	Finance Charge	07/29/2022	08/03/2022	\$14.34

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.” Additionally, Regulation 5350 *Procurement Card Management* further states, “Late fees must be noted on the statement with a written explanation of why the late fee was incurred.”

Effect:

Making untimely payments does not show responsible stewardship of funding.

Recommendation:

OAG recommends that the JP Morgan Chase account be paid by the due date to avoid penalty fees.

Management Response (Not Required):

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

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

Condition:

Four out of 24 purchases, totaling \$991.91, were made without proper supporting documentation. Specifically,

- Three out of ten sampled procurement card (PCard) purchases were made without proper supporting documentation, totaling \$811.01.
- One sampled cash disbursement was made without proper supporting documentation, totaling \$180.90.

Item	Instrument Name/Number	Transaction Date	Vendor Name	Documentation	Dollar Amount
1	Bucknell ES SA 1	8/11/2022	Burke Chesapeake	Purchase Order missing	\$75.64
2	Bucknell ES SA 1	12/4/2022	Amazon	Purchase Order missing	\$9.99
3	Bucknell ES SA1	12/7/2022	Amazon	Purchase Order missing	\$725.38
4	120700672	12/21/2022	Christopher Roeseler	Purchase Order missing	\$180.90

The sample consisted of 24 transactions, totaling \$6,006.82.

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."

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.

Finding 5 – Bank Reconciliation

Risk Rating – Low

Condition:

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

- October and November Bank of America bank statements were not signed or dated by the principal as of February 16, 2023.

OAG noted that the monthly Great Plains reconciliations were signed and dated by the principal and administrative assistant timely.

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 statement to show evidence of timely approval.

Management Response (Not Required):

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