



Business Process Audit Irving Middle School Report Reference Number: 23-13151

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Executive Summary

This audit report summarizes the results of the Office of Auditor General's Business Process Audit at Irving Middle School conducted on May 1, 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 was one moderate and one low risk finding identified during the audit.

We appreciate the consultation, cooperation, and courtesies extended to our staff by the finance technician and principal at Irving 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. 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 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 one moderate and one low risk finding which are detailed below:

Finding 1 – Purchasing Process

Risk Rating – Moderate

Condition:

- One sampled appropriated procurement card (PCard) purchase was made outside of the proper purchasing process, totaling \$133.95. The sample consisted of ten transactions, totaling \$3,918.55.

Item	PCard Name	PCard Transaction Date	Vendor Name	Notes	Dollar Amount
1	Irving MS IS1	11/10/2022	HERFF JONES SCHOL 7900	Purchase made prior to purchase order	\$133.95

In addition, the invoice from Herff Jones, Inc. was not paid timely. The 2018 invoice had a payment due date of July 5, 2018, but was not paid until November 10, 2022. This invoice was discovered after the previous finance technician had left Irving Middle.

- b) One sampled cash disbursement was made outside of the proper purchasing process, totaling \$8,562.44. The sample consisted of ten transactions, totaling \$35,780.64.

Item	Check Number	Check Date	Payee Name	Notes	Dollar Amount
1	115101396	12/14/2022	ATHLETIC UNION INC	Purchase made prior to purchase order	\$8,562.44

Criteria:

- a) 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."

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 states, "Late fees must be noted on the statement with a written explanation of why the late fee was incurred."

- b) Regulation 5012 *Purchasing Goods and Non-Professional Services Using Appropriated and Nonappropriated Funds* states, "Principal pre-approval is required for all purchases from Local School Activity Funds." Regulation 5810 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, and payments not made on time can lead to unnecessary late fees.

Recommendation:

OAG recommends 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 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.

Principal’s Response:

The moderate finding is a result of the previous Finance Technician not keeping proper documentation and paying bills on time, similar findings were made and addressed during the Continuous Monitoring site visit conducted in Fall 2022. When the temporary Finance

Technician received the bills from Athletic Union and Herff Jones, she paid them immediately and provided as much information/documentation as possible to support the payments.

Planned Action	Action Owner(s)	Expected Completion Date
We concur with the finding. Since the temporary finance technician (FT) and now the new FT took over our finances, the requirements and proper steps for purchases to include supporting documentation, on time payments, and reconciling have been followed with a control of review by the principal for each purchase. We will continue to follow these practices which follow FCPS Finance Policies and Regulations.	FT and principal	September 1, 2023

Finding 2 – Non-Bank Reconciliation

Risk Rating – Low

Condition:

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

- Appropriated procurement card reconciliations for two of the three months sampled were not signed and/or dated by the principal and/or finance technician. Specifically:
 - December 2022 reconciliations for IRVING MS IS1 and IRVING MS W&F 01 cards were not dated by the finance technician.
 - February 2023 reconciliations for IRVING MS IS1 and IRVING MS W&F 01 cards were not signed and dated by the principal and finance technician. There was evidence of review from the principal and finance technician on both statements.
- Non-appropriated procurement card reconciliations for one of the three months sampled were not dated by the finance technician. Specifically:
 - February 2023 reconciliations for IRVING MS SA1 and IRVING MS SA2 cards were not dated by the finance technician.

Criteria:

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 procurement card 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 of timely completion and approval.

Management Response (Not Required):

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