

FY24 OAG Risk Assessment & Audit Plan

Fairfax County Public Schools
Office of Auditor General



July 13, 2023



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Timeline

- Audit Committee Meetings – April 12 and May 10
- School Board Work Session – May 18
- School Board Presentation – May 25
- Audit Committee Meeting – July
- **School Board Approval – July 13**

Risk Assessment and Audit Plan Objectives

- (1) To accomplish OAG’s mission: Independently determine if existing Fairfax County Public Schools (FCPS) processes are adequately designed, operating in an efficient, effective manner and fully accountable to the Fairfax County citizens, and
- (2) To promote FCPS’ achievement of strategic goals, in the area of resource stewardship.
- (3) According to Policy 1105, Auditor General Authority:
“The Auditor General shall submit annually to the Audit Committee a work plan for the coming fiscal year which is to be presented for approval by the School Board. The plan serves as a guide and proposed changes to the plan shall be approved by the Audit Committee.”

FY24 Risk Assessment Procedures

- (1) Identification of audit topics
- (2) Prioritization of audit topics
 - a) Solicited feedback from School Board and Audit Committee members (12 out of 14 received, 12 School Board members and 2 citizen members)
 - b) Solicited feedback from FCPS employees, via 38 interviews and 118 surveys
 - c) Examined benchmark data (21 equivalent internal audit departments)
 - d) Considered financial, reputational, and operational risks; frequency of audits and prior audit issues
 - e) Re-evaluated risk conditions
- (3) Determination of FY24 audit plan, secondary and long-term priorities

FY24 Key Outcomes

FY23 Carried Over Engagements

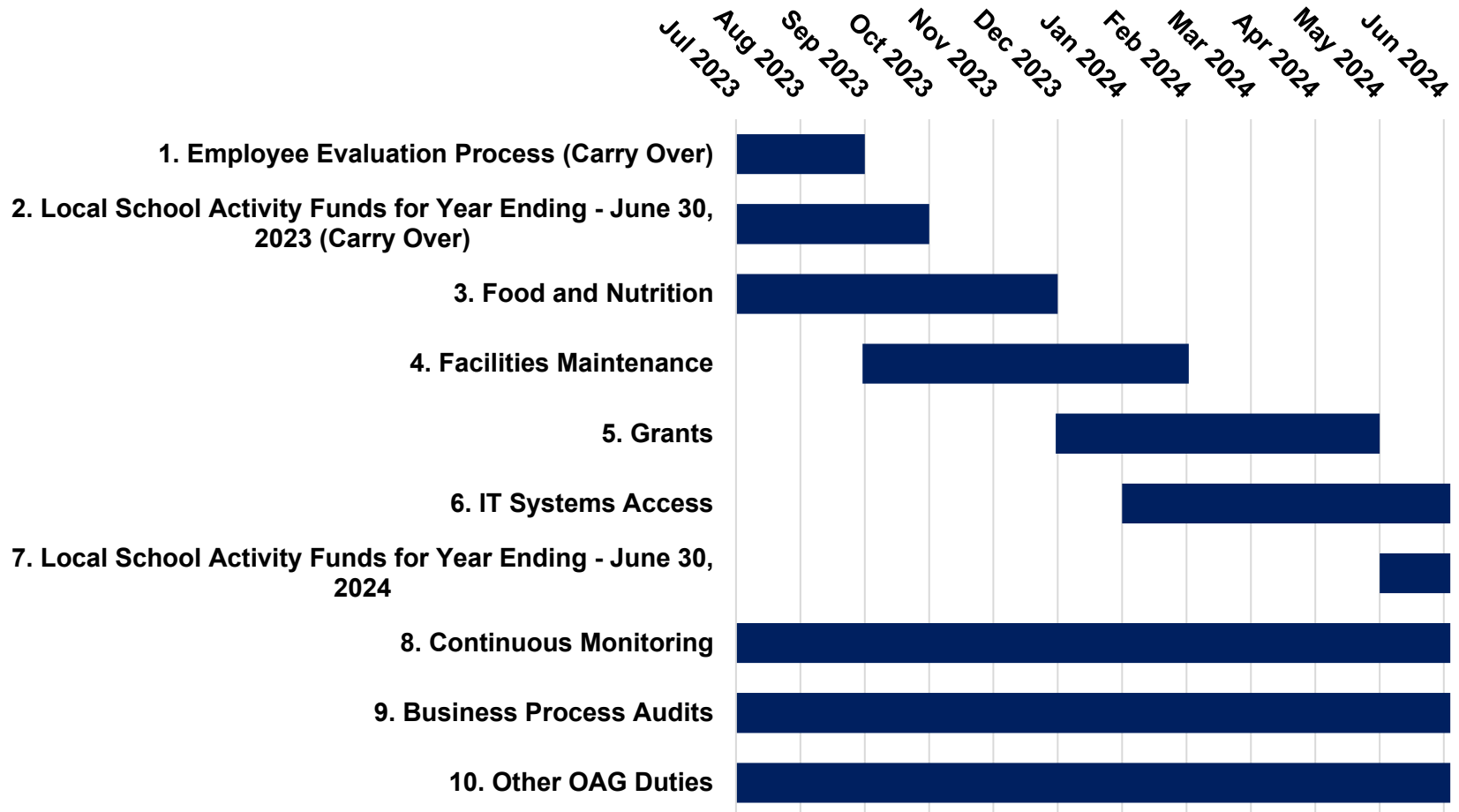
- (1) Employee Evaluation Process
- (2) Local School Activity Funds Audit, June 30, 2023

New Engagements

- (3) Food and Nutrition Services
- (4) Facilities Maintenance
- (5) Grants
- (6) IT Systems Access
- (7) Local School Activity Funds Audit, June 30, 2024
- (8) Continuous Monitoring
- (9) Business Process Audit
- (10) Other OAG Duties

See slide 22 for Appendix - Key Metrics for FY24 Primary Audit Topics.

FY24 OAG Operational Plan



Source: Appendix II of the FY24 Risk Assessment and Audit Plan Document



(1) Employee Evaluation Process Audit

Description

FCPS performance assessment process and evaluations are designed to provide all employees with increased opportunities for professional growth and development. This process is based on a supervisory cycle of reflection, observation, and discussion that leads to employee improvement.

Objectives / Scope

(1) Evaluate the existing employee evaluation process; (2) Evaluate how the process is managed at departments, offices and schools; and (3) Benchmark existing processes used by other school districts to identify best industry leading employee evaluation practices.

Internal Stakeholders

- (1) Department of Human Resources (HR), Office of Equity and Employee Relations
- (2) Schools, Offices, and Departments

Schedule

This performance audit is estimated to take five months to complete.

(2) Local School Activity Funds Audit (LSAF), June 30, 2023

Description

In accordance with the Code of Virginia (8VAC20-240-40), all LSAF (i.e. including all the approximate 200 FCPS sites) shall be audited annually.

Objectives / Scope

(1) Verify local school financials and year-end cash reporting are not materially misstated, and (2) Review selected revenue and expenditure transactions for compliance (including procurement card transactions).

Internal Stakeholders

- (1) Department of Financial Services
- (2) Schools, Offices & Departments (with LSAF)

Schedule

The final division-wide report is expected to be presented to the Audit Committee in October 2023.

(3) Food and Nutrition Audit

Description

The Office of Food and Nutrition Services (FNS) is responsible for providing all meals and refreshments served in FCPS schools. The program also strives to educate students about nutrition and promote the choice of healthy foods throughout their lives.

Objectives / Scope

(1) Examine compliance with federal, state, & FCPS requirements; (2) Understand FNS business objectives and key performance measures, and evaluate if the information systems generate comprehensive and useful performance metrics; (3) Benchmark whether FNS is optimally organized & staffed to carry out their mission; (4) Evaluate whether FNS utilizes vendors & consultants (if any) effectively and efficiently; (5) Determine how FNS monitors food waste, meal participation & inventory turnover; and (6) Evaluate the financial accountability in handling FNS related revenue & expenditure, including overtime & student debts.

Internal Stakeholders

- (1) Department of Financial Services
- (2) Food and Nutrition Services

Schedule

This performance audit is estimated to take five months to complete.

(4) Facilities Maintenance Audit

Description

The Office of Facilities Management is responsible for providing routine preventive and corrective maintenance for FCPS facilities infrastructure including repairing and replacing failed equipment, aging buildings, and energy management systems; as well as maintaining the grounds.

Objectives / Scope

(1) Evaluate the current status of the remaining recommendations from the FY 2018 Facilities Maintenance audit; (2) Evaluate FCPS internal controls over facility maintenance, specifically for maintenance work orders and determine if (a) estimate is aligned with the work being performed, (b) whether the work flow is effective; (3) Evaluate FCPS policy and regulation and controls surrounding facility maintenance assets and inventory, and monitoring of hours (including overtime) worked by staff; and (4) Conduct a physical count of select facility maintenance assets and inventory.

Internal Stakeholders

- (1) Department of Facilities and Transportation Services
- (2) Office of Facilities Maintenance

Schedule

This performance audit is estimated to take five months to complete.

(5) Grants Audit

Description

Program managers ensure that the grant is managed in accordance with the grant agreement, federal guidelines, and FCPS regulations and policies.

Objectives / Scope

(1) Examine compliance with grant requirements, including if grants are spent in accordance with the purpose and objectives; (2) Evaluate the design and operation of applicable internal controls, including division-wide and site-based controls, stipends, pay bands, and management monitoring activities (including program outcomes).

Internal Stakeholders

- (1) Specific Grants Process Owners
- (2) Department of Financial Services (as needed)

Schedule

This performance audit is estimated to take five months to complete. Specific grants will be selected to audit.

(6) IT Systems Access Audit

Description

System access is a system security technique that regulates who or what can be viewed or used in a computing environment. The Department of Information Technology (DIT) serves the diverse technology needs of FCPS staff, students and central office teams managing information resources and ensuring security and integrity for large number of FCPS systems.

Objectives / Scope

(1) Evaluate the user access controls over FCPS systems and data such as (a) physical access controls to safeguard physical IT assets (data centers and servers); (b) logical access controls to properly (i) assign access privileges to users based on their roles and responsibilities, (ii) validate user identities and (iii) manage changes in access; (2) Evaluate the compliance with applicable laws and regulations, such as Family Educational Rights and Privacy Act (FERPA), and (3) Select specific IT applications and evaluate the operating effectiveness of the controls put in place by DIT and/or the appropriate business technology teams.

Internal Stakeholders

- (1) Department of Information Technology (DIT)
- (2) Departments, Offices, and Schools

Schedule

This audit is estimated to take five months to complete.

(7) Local School Activity Funds Audit, June 30, 2024

Description

In accordance with the Code of Virginia (8VAC20-240-40), all LSAF (i.e. including all the approximate 200 FCPS sites) shall be audited annually.

Objectives / Scope

(1) Verify local school financials and year-end cash reporting are not materially misstated, and (2) Review selected revenue and expenditure transactions for compliance (including procurement card transactions).

Internal Stakeholders

- (1) Department of Financial Services
- (2) Schools, Offices & Departments (with LSAF)

Schedule

Ongoing through Continuous Monitoring (OAG performs school site visits and desk continuous monitoring during the year)

(8) Continuous Monitoring

- Utilizing technology-based audit techniques to analyze patterns and trends and select and test transactions.
- These methods will enable OAG to better understand risks and identify exceptions in a timely manner.
- Technology-based resources allow users to import many records and execute audit specific commands to search for duplicates, detect gaps in numeric sequences, group data by categories, and filter numerous rows and columns of data in seconds.
- Areas of focus to include Schools, Departments, and Offices expenditures.
- **NEW this year**: OAG will perform unannounced cash counts and e-commerce collection of event fees for school events (i.e. athletics, performing arts).

(9) Business Process Audits (BPA)

Description

These audits will be performed on an ad-hoc basis depending on the results of the Continuous Monitoring; departures or additions in principals, finance technician/administrative assistants, or management/staff; or situations as deemed necessary.

Objectives / Scope

(1) Evaluate the effectiveness of school/office processes and compliance with applicable regulations and policies; (2) Determine if controls are adequate and functioning as intended; and (3) Determine if transactions are reasonable and do not appear to be fraudulent.

Internal Stakeholders

- (1) Departments and Offices
- (2) Schools

Schedule

Ongoing throughout the fiscal year.

(10) Other OAG Duties

- 1) Monthly Audit Committee Meetings
- 2) FCPS Fraud, Waste and Abuse Inquiry
- 3) OAG Annual Report
- 4) OAG FY25 Risk Assessment
- 5) OAG Outreach and Education
 - NASBA training
 - School Based Administrator training
 - Finance technicians and other stakeholder group training
- 6) OAG Staff Professional Development
- 7) OAG Quality Control Monitoring/Peer Review
- 8) Recommendations Follow-Up
- 9) Onboarding of New School Board Members

Other FY24 Potential Audit Topics

- Below are potential audit topics (slides 19 to 21) for Audit Committee considerations. Currently, OAG has not included them in the proposed operational audit plan.
- If any of the following topics are requested to be conducted in FY24, the current proposed operational audit plan, slide 7, will need to be adjusted for resource consideration.

Potential Audit Topics*	FCPS employees**	School Board & Audit Committee***	Grand Total
Procurement	6	3	9
Retirement Benefits	4	3	7
Student Mental Health	0	5	5

* For all potential audit topics, see FY24 Risk Assessment and Audit Plan Document pages 13 – 15.

** OAG interviewed 38 Leadership Team (LT) members and non-LT members who are mainly directors, coordinators, or principals.

*** OAG received feedback from 12 out of 14 members, comprised of 12 School Board members and 2 Audit Committee citizen members.

Description

Office of Procurement Services is responsible for demonstrating good stewardship and best practices in the purchase of goods and services through fair, open, and competitive processes in accordance with applicable regulations; and to provide timely distribution of products.

Objectives / Scope

(1) assess whether adequate controls are (a) in place and (b) operating effectively and achieving desired outcomes in procurement methods, including Request for Proposal and Sole Source; and (2) assess compliance with applicable laws, FCPS policies and regulations, and School Board oversight.

Internal Stakeholders

- (1) Office of Procurement Services
- (2) Departments, Offices and Schools

Schedule

This performance audit is expected to take five months.

Consideration: OAG listed it as a secondary priority due to the recent updates made to procurement policies. OAG recommends this audit be performed in subsequent years, allowing the department to implement these policies before initiating an audit.

Retirement Benefits

Description

FCPS's defined-benefit retirement plan is managed by Educational Employee Supplementary Retirement System (ERFC). ERFC manages benefit plan structures through investments on behalf of FCPS employees.

Objectives / Scope

(1) to understand the FCPS retirement benefits, including defined benefits and contributions offered to staff; understand the benefits of ERFC versus additional salary and compare that to the benefits offered by (a) other major and neighboring school districts, and (b) the major private organizations in the DMV (District of Columbia, Maryland and Virginia) area.

Internal Stakeholders

- (1) Department of Human Resources
- (2) ERFC

Schedule

Length to complete: To be determined.

[NOTE] Due to the technical expertise needed for this audit, OAG will seek an independent expert with the required skill set to complete this engagement.

Consideration: OAG does not recommend conducting this audit in FY24, as it is not OAG core competency, and will require the participation of an external subject matter expert at additional expense.

Update per May 18, 2023, School Board Work Session: School Board requested the superintendent to further review this topic before determining whether OAG should proceed with this audit.

Student Mental Health

Description

Department of Special Services (DSS) is responsible for the planned program of instructional, psychological, social, behavioral, and related services to help schools meet the unique needs of identified students and their families

Objectives / Scope

(1) to evaluate mental health services provided by FCPS and assess its adequacy in relation to laws, FCPS policies and procedures; and (2) through surveys and/or benchmarking, examine how FCPS can better identify and connect students with needed services.

Internal Stakeholders

(1) Department of Special Services

Schedule

Length to complete: To be determined.

[NOTE] Due to the technical expertise needed for this audit, OAG will seek an independent expert with the required skill set to complete this engagement.

Consideration: OAG does not have core competency in this topic. An external subject matter expert will likely need to be engaged at an additional cost if it is selected as a primary topic.



Appendix - Key Metrics for FY24 Primary Audit Topics*



FY24 Primary Priorities	Internal Stakeholders	Topic Identified Through Benchmarking	Financial Indicators & Other Information	FCPS employees	School Board & Audit Committee
Food and Nutrition Services (FNS)	Department of Financial Services	Yes	Per the FY23 Program Budget, FNS had food sales of \$40.5M, federal and state aid of \$48M, and other revenue of \$36,183 offset costs of \$94.7 million projected for FY23.	3	3
Facilities Maintenance	Department of Facilities and Transportation Services	Yes	For FY22, Facilities Management has a school operating fund of \$69.1M and 455 total positions.	3	3
Grants	Specific Grants Process Owners, and Department of Financial Services (as needed)	Yes	FY23 Approved Budget for Grants and Self-Supporting Programs is \$67.2M with staffing of 586 positions. FCPS was awarded \$188.6M in ESSER III funds, \$83M in ESSER II funds, and \$21.5M in ESSER I funds.	3	0
IT Systems Access	Department of Information Technology (DIT), Other Departments, Offices, and Schools	Yes	Not applicable (N/A).	0	1
Local School Activity Fund (Required Annually)	Department of Financial Services and Schools	Yes	FY22 Local School Activity Fund (LSAF) had approximately \$23.1M.	2	0
Continuous Monitoring	Departments, Offices, and Schools	No	FY22 Local School Activity Fund (LSAF) had approximately \$23.1M.	N/A	N/A
Business Process Audits (BPA)	Departments, Offices, and Schools	Yes	Not applicable.	6	0

* For all potential audit topics, see FY24 Risk Assessment and Audit Plan Document pages 13 – 15.



Mission and Vision Statement

Independence (Search “independence”)

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