



Business Process Audit West Potomac High School Report Reference Number: 24-13200

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Executive Summary

This audit report summarizes the results of the Office of Auditor General's (OAG) Business Process Audit (BPA) at West Potomac High School conducted on February 1, 2024. The audit was performed in accordance with the Fiscal Year (FY) 2024 audit plan approved by the Fairfax County School Board (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 2024. There were four low risk findings identified during the audit.

We appreciate the consultation, cooperation, and courtesies extended to our staff by the finance technician, finance assistant, and principal at West Potomac High School.

Background, Scope and Objectives, and Methodology

Background

All Fairfax County Public Schools (FCPS) 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 non-appropriated fund, or Local School Activity Fund (LSAF), 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. In this situation, the current finance technician (FT) at West Potomac High assumed the role beginning on October 31, 2023. The previous FT departed West Potomac at the end of July 2023. A new FT was hired in August but left before being fully trained. Support was provided to the school by Financial Services while the position was vacant. The school also has an hourly finance officer, but that individual does not have access to all the necessary applications that the FT utilizes. In addition, the current principal at West Potomac High assumed the role beginning on November 20, 2023. The previous principal departed West Potomac in August 2023, and an interim principal served the school until the current principal was appointed.

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 2024 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, and
- Determine if transactions are reasonable and do not appear to be fraudulent.

OAG 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

OAG's audit approach assessed the school's current management of internal controls covering LSAF and appropriated funds. The structure of this audit was designed to assist principals and finance technicians (FT) 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 Disbursement, and Cash Receipt Transactions

OAG utilized ACL Analytics, a data analytical software by Diligent, 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 and assets, as follows:

- Most current month 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
- Physical assets such as safes, drop boxes, procurement cards, and check stock.

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

Finding(s) within this report are attributed a risk rating in accordance with established risk criteria as defined in Table 1.

Table 1 – Risk Criteria

Type	Description
High	One or more of the following exists: <ul style="list-style-type: none"> • 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 the following exists: <ul style="list-style-type: none"> • 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 the following exists: <ul style="list-style-type: none"> • 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 four low risk findings:

Finding 1 – Non-Bank Reconciliation

Risk Rating – Low

Condition:

(a) Procurement Card reconciliations for one of three months sampled was not approved in a timely manner, as follows:

- Non-appropriated procurement card reconciliation for one of three months sampled was not reviewed in a timely manner. Specifically:
 - November 2023 reconciliations for SA1 WEST POTOMAC HS and SA2 WEST POTOMAC HS cards were not reviewed by the principal until January 18, 2024, and January 17, 2024, respectively.

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

- Appropriated procurement card reconciliations for two of three months sampled were not signed and/or dated by the finance technician. Specifically:
 - October 2023 reconciliation for WEST POTOMAC HS IS card was signed but not dated by the principal as of February 1, 2024.
 - November 2023 reconciliations for WEST POTOMAC HS IS and WEST POTOMAC HS IS 2 cards were signed but not dated by the finance technician as of February 1, 2024.
- Non-appropriated procurement card reconciliations for two of three months sampled were not signed and/or dated by the principal and/or finance technician. Specifically:
 - October 2023 reconciliations for SA1 WEST POTOMAC HS and SA2 WEST POTOMAC HS cards were signed but not dated by the finance technician as of February 1, 2024.
 - December 2023 reconciliation for SA1 WEST POTOMAC HS card was signed but not dated by the principal and finance technician as of February 1, 2024.

OAG has assigned a low risk level due to the lack of principal and FT coverage during the scope period.

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 review reconciliations in a timely manner, and 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.

Finding 2 – Bank Reconciliation

Risk Rating – Low

Condition:

(a) Monthly bank reconciliation reports were not approved/completed in a timely manner, as follows:

- October 2023 bank reconciliation was not completed until December 6, 2023, and was not signed by the finance technician until December 7, 2023. The due date set by Financial Services was November 15, 2023.

(b) Monthly bank reconciliation reports were not consistently signed and/or dated to evidence approval and timely completion, as follows:

- October 2023 bank reconciliation posting journal was signed but not dated by the principal as of February 1, 2024.
- October 2023 Bank of America bank statement was not signed and dated by the finance technician and principal as of February 1, 2024.

OAG has assigned a low risk level due to the lack of principal and FT coverage during the scope period.

Criteria:

The FCPS *School Finance Handbook* states, “The finance technician (FT)/administrative assistant (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.” Regulation 5810 *School Activity Funds Management* states, “All bank account statements must be reconciled according to the annual month end closing schedule.” In addition, the *FT/AA's Month-End Financial Checklist - LSAF*, a resource guide prepared by Financial Services, states, “The actual bank statement must be signed and dated by the Principal and the FT/AA.”

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 complete bank reconciliations according to the month end closing schedule, and that the principal and finance technician sign and date the bank reconciliation and statement 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 3 – Purchasing Process

Risk Rating – Low

Condition:

(a) Two sampled cash disbursements were made outside of the proper purchasing process, totaling \$2,140.00. The sample consisted of ten transactions, totaling \$24,097.05.

Item	Check Number	Check Date	Payee Name	Notes	Dollar Amount
1	120004610	7/31/2023	FIVE STAR PORTABLES, INC.	Two of three invoices created prior to purchase order	\$1,194.00
2	120004728	11/28/2023	ZERO LIMIT LIFESTYLE LLC	Invoice created prior to purchase order	\$946.00

(b) Three sampled procurement card (PCard) purchases were made outside of the proper purchasing process, totaling \$1,408.84. The sample consisted of 11 transactions, totaling \$7,999.31.

Item	PCard Name	PCard Transaction Date	Vendor Name	Notes	Dollar Amount
1	WEST POTOMAC HS SA4	9/14/2023	WWW.NOVAFLOWERS.COM	Invoices created prior to purchase order	\$455.00
2	SA1 WEST POTOMAC HS	10/5/2023	PACIFIC TRI PORT DISTR	Invoice created prior to purchase order	\$732.36
3	WEST POTOMAC HS SA5	10/5/2023	WM SUPERCENTER #5753	Appropriated purchase order created, but non-appropriated funds were used	\$221.08

Criteria:

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 *School Activity Funds Management* states, "Purchase orders (PO) must be preapproved by the principal or designee, before obligating school activity funds." Regulation 5350 *Procurement Card Management* states, "The principal/program manager or designee is responsible for preauthorizing procurement card purchases." In addition, the FCPS *School Finance Handbook* states that the principal or program manager must "ensure transactions are posted to the appropriate expenditure accounts."

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 4 – Timely Payment

Risk Rating – Low

Condition:

One invoice was not paid timely, totaling \$398.00:

Item	Payee Name	Payment Due Date	Actual Date Paid	Invoice Amount
1	FIVE STAR PORTABLES, INC.	6/30/2023	7/31/2023	\$398.00

Although payment was 30 days past due, penalty fees were not assessed.

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.”

Effect:

Not paying invoices promptly could cause unnecessary late fees to be assessed.

Recommendation:

OAG recommends that obligations should be paid promptly to avoid penalty fees.

Management Response (Not Required):

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