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# Business Process Audit Lorton Station Elementary School Report Reference Number: 24-13343

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February 2024

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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 Lorton Station Elementary School conducted on December 14, 2023. 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 three 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 Lorton Station Elementary 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. 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 administrative assistants (AA) 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"> <li>• Controls are not in place or are inadequate.</li> <li>• Compliance with legislation and regulations or contractual obligations is inadequate.</li> <li>• Important issues are identified that could negatively impact the achievement of program/operational objectives.</li> </ul>
Moderate	One or more of the following exists: <ul style="list-style-type: none"> <li>• Controls are in place but are not sufficiently complied with.</li> <li>• Compliance with subject government regulations or FCPS policies and established procedures is inadequate, or FCPS policies and established procedures are inadequate.</li> <li>• Issues are identified that could negatively impact the efficiency and effectiveness of operations.</li> </ul>
Low	One or more of the following exists: <ul style="list-style-type: none"> <li>• Controls are in place, but the level of compliance varies.</li> <li>• Compliance with government regulations or FCPS policies and established procedures varies.</li> <li>• Issues identified are less significant, but opportunities exist that could enhance operations.</li> </ul>

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 three low risk findings:

## Finding 1 – Non-Bank Reconciliation

### Risk Rating – Low

#### Condition:

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

- October 2023 Financial Management Expenditure Report (FMER) was not approved in the online application until December 14, 2023. The completion date set by Financial Services (FS) for October 2023 was November 30, 2023.

OAG would like to note that the physical FMR was completed timely by the principal and AA.

#### 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 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 FMER reconciliation report. Principals or program managers are required to certify that the reconciliations are complete and approved using the FMR application."

#### 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 complete and approve reconciliations in the online application by the required due date.

## Finding 2 – Sufficient Documentation - Cash Disbursements

### Risk Rating – Low

#### Condition:

One sampled cash disbursement was made without proper supporting documentation, totaling \$50.00. The sample consisted of four transactions, totaling \$4,852.30.

Item	Check Number	Check Date	Payee Name	Documentation	Dollar Amount
1	134300446	10/11/2023	Christine Berry	No current purchase order for this replacement check	\$50.00

This disbursement was made to replace a lost check issued in November 2022. The new check was attached to a purchase order initiated in November 2022, corresponding to the prior fiscal year.

**Criteria:**

The FCPS *School Finance Handbook* states, "Purchase Orders (POs) should not cross over fiscal years."

**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 and approved purchase order from the same fiscal year in which the purchase was made.

**Finding 3 – Purchasing Process - Cash Disbursements**

**Risk Rating – Low**

**Condition:**

One sampled cash disbursement was made outside of the proper purchasing process, totaling \$1,600.00. The sample consisted of four transactions, totaling \$4,852.30.

Item	Check Number	Check Date	Payee Name	Notes	Dollar Amount
1	134300442	9/22/2023	Josten's Inc.	PO was created after funds were obligated	\$1,600.00

The related invoice was unpaid from the previous fiscal year, while the previous administrative assistant was still with the school. Upon the arrival of the current administrative assistant, a new purchase order (PO) was generated to settle the outstanding invoice.

**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 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.

**Recommendation:**

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