

1.1 FY24 OAG Internal Audit Status For the Audit Committee in April 2024

Audit Topics	2023						2024					
	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1. Employee Evaluation Process (Carry Over)	Completed											
2. Local School Activity Funds for Year Ending - June 30, 2023/Continuous Monitoring (Carry Over)	Completed											
3. Food and Nutrition	Completed											
4. Facilities Maintenance			Completed									
5. Grant							Pln	Exe		Rpt		
6. IT Systems Access								Pln		Exe	Rpt	
7. Local School Activity Funds for Year Ending - June 30, 2024												
8. Business Process Audits	Ongoing											
9. Continuous Monitoring	Ongoing											
10. Other OAG Duties	Ongoing											

Planning (Pln), Execution (Exe), Reporting (Rpt) determined once scoping complete

Please refer to the **Appendix** for the details behind the audit topics.

Key Updates

A. **Grant:** The audit timeline has been updated to present the report in the June Audit Committee (from May).

B. **IT Systems Access:** OAG refined the audit objectives to clarify the types of IT applications selected for the audit, and the controls to be tested. Also, the focus of the FERPA requirement has been added. Highlighted in blue are the clarifications added.

(1) Select specific IT applications **that capture, process, and store sensitive data per the FCPS data classification policy** and evaluate the operating effectiveness of the **access** controls **at the application level**, (2) Evaluate the compliance with applicable laws and regulations, such as Family Educational Rights and Privacy Act (FERPA) **with a focus on data handling across FCPS**, and (3) 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) and (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.

C. **Continuous Monitoring:** Quarters 1 and 2 are completed, please refer to Item 2.1.

D. Other OAG Duties (Highlights):

(a) **FY25 Risk Assessment:** OAG is finalizing the FY25 Risk Assessment and Proposed Audit Plan. It is scheduled to present to the Audit Committee in May.

(b) **Fraud, Waste and Abuse Inquiries:** Please refer to Item 1.2 for details.

(c) **Recommendations Follow-Up:** OAG completes recommendation follow-up on a quarterly basis. For the follow-up as of January 31, 2024, please refer to Item 3.1.

Appendix – Extract from FY24 OAG Risk Assessment and Audit Plan

The following list includes both carried over audits, and new audits, contained in OAG's FY24 Operational Plan. The narratives include background information, risk considerations, and preliminary objectives.

1. Employee Evaluation Process

Carried Over from FY23 Audit Plan

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. Employees are assessed from the beginning of service and the results are reported regularly in an evaluation. Discussions regarding performance occur between the evaluator and the employee throughout the process. Employees have multiple opportunities to refine or enhance their skills.

Approximately 15,000 employees were in the evaluation cycles as of January 2021.

Areas of potential risk are inconsistent application of performance assessment and evaluation process, which could lead to reputational and legal risks, and challenges in retaining talents in the system.

Preliminary objectives of this audit are: (a) to evaluate the existing employee evaluation process; (b) to evaluate how the process is managed at departments, offices, and schools; and (c) to benchmark existing processes used by other school districts to identify best industry leading employee evaluation practices. This performance audit is estimated to take five months to complete.

2. Local School Activity Funds for Year ending June 30, 2023

Carried Over from FY23 Audit Plan

In accordance with the Code of Virginia (8VAC20-240-40), all Local School Activity Funds (i.e. including all the approximate 200 FCPS sites) shall be audited annually no later than the end of the following fiscal year. These audits require verification that local school financials and year-end (i.e. June 30) cash reporting are not materially misstated. In addition, OAG reviews selected revenue and expenditure transactions, including purchases made using non-appropriated procurement cards, to ensure that transactions are processed according to the applicable FCPS policies, regulations, or guidance. The final division-wide report is expected to be presented to the Audit Committee in October 2023.

3. Food and Nutrition

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. In FY22 FNS served more than 27 million meals to 140,000 customers. FNS expenditures for FY23 is projected to be \$94.7 million with approximately half that amount reimbursed by federal and state grants. The FNS budget includes the employment of 56.5 full time positions to lead and support the entire program, and 1,300 school-based employees that serve meals on site.

Other important priorities of the program are to reduce food insecurity among children and to minimize the amount of purchased food that goes to waste. With the support of the federal government, FNS provides free meals to all students at 34 schools that qualified for the Community Exception Provision (CEP). Free and reduced-price meals are also available to individual families at other schools that apply for and are eligible for assistance. To minimize the amount of food that would otherwise go to waste, FNS operates a partnership with local food banks and provides guidelines to facilitate appropriate donations from individual schools.

Areas of potential risks are lack compliance with federal/state and FCPS policies, improper recording of financial data, and inefficiencies in inventory management.

The potential objectives of this audit are to: (1) examine compliance with federal, state, and FCPS requirements¹, including follow-up on recommendations from such audits (if applicable); (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 and staffed to carry out their mission; (4) evaluate whether FNS utilizes vendors (including procurement) and consultants (if any) effectively and efficiently; (5) determine how FNS monitors food waste, meal participation and inventory turnover; and (6) evaluate the financial accountability in handling FNS related revenue and expenditure, including overtime and student debts. This performance audit is estimated to take five months to complete.

NOTE: Food preparation and programs are regularly subject to independent external audits. OAG will consider such scope of work, in determining the final objectives of this audit.

4. Facilities Maintenance

Facilities Maintenance provides clean and safe facilities for students, contributing to an environment that promotes student success through sustainable design, operations, and support services. Specifically, the Office of Facilities Management (OFM) 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.

During FY22, OFM had a school operating fund of \$69.1M and 455 total positions.

OAG conducted an audit on [Facilities Maintenance in FY18](#). Three audit recommendations have not been fully implemented yet:

1. Staffing Shortages

- The recommendation was to adhere to the APPA (formerly known as

¹ If OAG observes inconsistency in how the requirements are applied, we will identify that in the audit report.

Association of Physical Plant Administrators) staffing formula for trade functions remains outstanding.

2. Insufficient Funding

- The recommendation was to develop a Comprehensive Asset Management Plan remains outstanding.

3. Asset Level Facility Condition Assessment

- The recommendation to develop a proactive facilities maintenance program remains outstanding. OFM has begun the process of conducting a comprehensive Facility Condition Assessment (FCA) and engaging multiple vendors to assess and develop proposals for the FCA.

Areas of potential risk are (1) preventive, routine, and emergency maintenance processes are not managed effectively, and (2) work orders are not being completed according to FCPS policy; work being performed inefficiently; and lack of oversight of staff hours.

The potential objectives of this audit are to: (1) evaluate the current status of the remaining recommendations from the FY18 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, and (b) whether the work flow is effective; (3) evaluate FCPS policies, other regulations, 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. This performance audit is estimated to take five months to complete.

5. Grants

Grants Development supports division initiatives and works to ensure sponsored programs that advance the Division's strategic plan. Grants Development identifies viable funding opportunities for FCPS, assists with the application development and submission, and award process for grants funded by the U.S. Department of Education, the Virginia Department of Education, and other federal, state, and local agencies; private corporations; and foundations. Each grant has a unique scope of work that the grantor is interested in funding, and grants are aligned to the FCPS programs that would benefit most from the additional funding.

Program managers ensure that the grant is managed in accordance with the grant agreement, federal guidelines, and FCPS regulations and policies. The approved budget for FY23 for Grants and Self-Supporting Programs is \$67.2M.

Areas of potential risks include lack of compliance with grant requirements leaving FCPS open to financial and reputational risks.

For this engagement, specific grants will be selected to be audited. The potential audit objectives are to (1) examine compliance with grant requirements, including if the grant funds are spent in accordance with the grant purpose and objectives; and (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). This performance audit is estimated to take five months to complete.

NOTE: Covid-19 Economic Relief funds which are currently available, such as American Rescue Plan Act Elementary and Secondary School Emergency Relief (ESSER) fund, should

be considered as part of the scope.

6. IT Systems Access

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.

DIT is responsible for providing design, installation, maintenance, and support services for all parts of the FCPS information technology infrastructure under its purview. The system application owners are responsible for the appropriate execution of the information technology infrastructure. It is important to note that not all technology systems used at FCPS are operated by DIT, some are developed and operated by business IT teams across the Division.

Areas of potential risk are user access controls not being in place or not consistently followed allowing for employees to maintain access not allowed by their job roles and responsibilities in key systems.

Preliminary objectives of this audit are: (1) to 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) and (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) to evaluate the compliance with applicable laws and regulations, such as Family Educational Rights and Privacy Act (FERPA), and (3) to select specific IT applications and evaluate the operating effectiveness of the controls put in place by DIT and/or the appropriate business technology teams. This performance audit is estimated to take five months to complete.

7. Local School Activity Funds for Year ending June 30, 2024

Please refer to (2) Local School Activity Funds Audit for Year ending June 30, 2023 for scope of work. The Final Division-wide report is expected to be presented to the School Board Audit Committee in October 2024.

8. Continuous Monitoring

Utilizing technology-based audit techniques to analyze patterns and trends, and select and test transactions, these methods will enable our office 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.

OAG will further pursue continuous monitoring on school based and non-school based financial and non-financial data. 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

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. Areas of potential risk are controls may not be in place or followed, and questionable transactions not timely identified. The focus of these audits is to evaluate the effectiveness of office processes and compliance with applicable regulations and policies; determine if controls are adequate and functioning as intended; and determine if transactions are reasonable and do not appear to be fraudulent.

10. Other OAG Duties

In addition to the engagements listed above, OAG will perform the following activities in FY24:

- (1) **Audit Committee Meetings** – OAG presented our work progress and audit reports to the Audit Committee monthly.
- (2) **Fraud, Waste and Abuse Inquiry** – OAG administers the FCPS Fraud, Waste, and Abuse hotline and receives inquiry via the hotline, online submission, internalaudit@fcps.edu email account, direct mails and walk-ins. OAG supports the internal review of the received information, through collaboration with Department of Human Resources and Division Counsel, in accordance with FCPS Regulation 1410.
- (3) **OAG Annual Report** – OAG produces an annual report, which summarizes OAG’s mission and charter, accomplishments, and upcoming projects for the School Board. OAG will deliver a comprehensive annual report and provide regular updates to School Board and community (see “OAG Outreach and Education” below).
- (4) **OAG FY25 Risk Assessment** – A formal risk assessment is the primary tool auditors use to establish primary, secondary, and long-term priorities and develop an annual audit plan. The FY25 risk assessment process evaluates each area against a variety of risk factors including financial implication, likelihood of errors, frequency of audits, prior audit issues, complexity, and turnover. The result is a combination of qualitative and quantitative data that assists in the prioritization of audit topics.

Additionally, OAG will explore facilitating regular risk discussions throughout the year with department managers aimed at identifying the most significant risks facing FCPS and monitoring management’s mitigation strategies to address those risks.

- (5) **OAG Outreach and Education** – In order to increase awareness of OAG’s mission and results for internal and external stakeholders, OAG will continue to publish Audit Buzz; collaborate with School Board members to communicate OAG results through member

newsletters and other postings; and provide relevant training and education. OAG is a certified National Association of State Boards of Accountancy (NASBA) Continuing Professional Education (CPE) provider, on behalf of FCPS. FCPS can award employees with education credits required to maintain certification status, such as Certified Public Accountants or Certified Internal Auditors. OAG plans to provide continuous professional training to employees.

- (6) **OAG Staff Professional Development** – Government Auditing Standards require that staff performing work under the standards maintain their professional competence through CPE. Staff should complete, every two years, at least 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment in which the audit entity operates. Staff who are involved in any amount of planning, directing, or reporting on assignments, and those who charge 20 percent or more of their time to these assignments should also obtain at least an additional 56 hours of CPE (for a total of 80 hours every two years) to enhance audit professional proficiency. Staff holding professional certifications are required to obtain an average of 40 CPE hours per year to maintain their certification status. All staff must obtain their required CPE for the current calendar year prior to December.
- (7) **OAG Quality Control Monitoring/Peer Review** – OAG will continue to improve the system of quality control and conduct monitoring procedures to ensure a high standard of work is produced within the office and that professional auditing standards are complied with for all audit work. As promulgated by Generally Accepted Government Auditing Standards, OAG must obtain an external peer review that is conducted by a peer review team that is independent of the audit organization. The peer review team will determine whether OAG’s system of quality control is suitably designed and whether OAG is complying with the quality control system for reasonable assurance that OAG is performing and reporting in conformity with professional standards and applicable legal and regulatory requirements. The results of OAG's peer reviews will be made available to the School Board Audit Committee and via the FCPS website.
- (8) **Recommendations Follow-Up** – OAG performs regular follow-ups to determine if timely corrective actions have been put in place to address weaknesses identified during audits. OAG conducts audit recommendation follow-up and reports results to the Audit Committee/School Board on a quarterly basis. If audit recommendations are open for more than three years, OAG will conduct follow-up and report to the Audit Committee/School Board on an annual basis. For audit recommendations open for more than eight years, the audit will be closed.
- (9) **Onboarding of New School Board Members** – OAG will onboard new and existing School Board members regarding OAG’s mission, roles and responsibilities, including OAG’s approved audit plan, annual risk assessment process, and other duties performed by OAG.