



Business Process Audit Bull Run Elementary School Report Reference Number: 24-13437

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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 Bull Run Elementary School conducted on March 18, 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 one moderate and two 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 Bull Run 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"> • 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 one moderate and two low risk findings:

Finding 1 – Personnel Payment

Risk Rating – Moderate

Condition:

One sampled cash disbursement was improperly made to an FCPS employee for services provided, totaling \$1,126.20. The sample consisted of six disbursements, totaling \$7,808.20.

Item	Check Number	Check Date	Purchase Description	Documentation Notes	Amount
1	143700944	9/13/2023	Art teacher commissioned to paint a mural in the school library	Missing Purchase Order (PO), Invoice, FS-133 form	\$1,126.20

The payment for services was not made through the appropriate payroll process. The authorization for payment was obtained from the principal via email before payment was remitted; however, no formal paperwork outside of the W9 (Request for Taxpayer Identification Number and Certification form which is provided by independent contractors or freelancers to the entities that hire them for tax purposes) was maintained.

Criteria:

Regulation 5640 *Payment for Summer School, Curriculum Development, and Other Temporary Assignments* states, "All payments to individuals classified as employees shall be made through the automated Human Resources system. Such individuals shall not be paid, even for incidental work performed, directly from school activity funds or any other funds." The *FCPS School Finance Handbook* states, "Payment directly to employees from local funds is prohibited. Local school activity funds can be sent along with a Revenue Deposits and Expenditure Credits Form (FS-133) to the accounting operations section in the Office of the Comptroller to pay for substitutes or FCPS employees who work beyond their contract performing other duties (i.e., substitutes for teachers on field trips with students, teachers working for afterschool activities). FICA (Federal Insurance Contributions Act-State tax for Social Security and Medicare) must be calculated on funds submitted."

Regulation 5810 *School Activity Funds Management* states, "All purchases of goods or services made from school activity accounts shall be supported by the prior submission and approval of a school purchase order... After receiving written evidence for the receipt of the goods or services, the PO, the invoice, and other supporting documents are to be attached to the check stub for filing."

Effect:

Payments made to FCPS employees using school activity funds do not comply with Internal Revenue Service payment classifications, tax withholding, and reporting rules.

Recommendation:

OAG recommends that the school only pay FCPS employees through the automated Human Resources system, following the steps outlined in R5640, section VII.

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.

Planned Action	Action Owner(s)	Expected Completion Date
Management concurs with the findings and recommendations stated in this report. BRES will only pay FCPS employees through the automated Human Resources system, following the steps outlined in R5640, section VII.	Administrative Assistant, Principal	July 13, 2024

Finding 2 – Sufficient Documentation

Risk Rating – Low

Condition:

(a) One sampled cash disbursement was made to FCPS employees without proper supporting documentation, totaling \$120.00 of change fund. The sample consisted of six transactions, totaling \$7,808.20.

Item	Check Number	Check Date	Documentation Notes	Dollar Amount
1	143700953	11/29/2023	The FS-132 form, for the change fund was incomplete	\$120.00

To settle the change fund, two cash receipts were completed to separate the activity profits from the \$120.00 change fund. However, the Cash Advance Record (form FS-132) was not completed as part of the settlement process.

(b) One sampled non-appropriated procurement card (PCard) purchase was made without proper supporting documentation, totaling \$124.95. The sample consisted of 12 transactions, totaling \$3,742.98.

Item	PCard Name	PCard Transaction Date	Vendor Name	Documentation Notes	Dollar Amount
1	BULL RUN ES SA1	12/15/2023	DUNKIN #343749	Missing Receipt	\$124.95

Criteria:

(a) Regulation 5810 *School Activity Funds Management* states, "Change funds must be reconciled at the conclusion of each activity." The FCPS *School Finance Handbook* states, "The FT/AA must complete and sign the Cash Advance Record (FS-132) to show the advance has been settled."

(b) Regulation 5350 *Procurement Card Management* states, "The principal/program manager or designee must retain original charge tickets, receipts, invoices, and other supporting documentation along with the procurement card statement and the reconciliation."

Effect:

Payments made without proper supporting documentation could allow for funds to be misappropriated and irresponsibly managed.

Recommendation:

OAG recommends that all expenditures should be supported by a properly completed, approved purchase order and an original itemized receipt.

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:

One sampled appropriated procurement card (PCard) purchase was made outside of the proper purchasing process, totaling \$195.78. The sample consisted of ten transactions, totaling \$2,028.90.

Item	PCard Name	PCard Transaction Date	Vendor Name	Notes	Dollar Amount
1	BULL RUN ES IS	9/7/2023	WAL-MART #2015	Receipt is 4% more than the approved Purchase Order total	\$195.78

The purchase order for this transaction was approved on 9/6/2023 for \$175.00, and the purchase on 9/7/2023 amounted to \$195.78, which is 4% more than the approved purchase order total. The principal approved the final purchase amount over email; however, this was done after the purchase had taken place.

Criteria:

Regulation 5350 *Procurement Card Management* states, "The principal/program manager or designee is responsible for preauthorizing procurement card purchases." Furthermore, the *FCPS School Finance Handbook* states, "It is necessary to edit and resubmit [purchase] orders for final approval if the invoice is 4 % more than the approved purchase order total. This only applies to purchase orders greater than or equal to \$100."

Effect:

Payments made prior to the principal's approval could allow for funds to be misappropriated and irresponsibly managed.

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.