



**Business Process Audit
Marshall High School
Report Reference Number: 24-13070**

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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 Marshall High School conducted on April 5, 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 two low risk findings identified during the audit.

We appreciate the consultation, cooperation, and courtesies extended to our staff by the finance technician and principal at Marshall 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. 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 two low risk findings:

Finding 1 – Sufficient Documentation

Risk Rating – Low

Condition:

(a) Two sampled cash disbursements were made without proper supporting documentation, totaling \$244.00. The sample consisted of ten transactions, totaling \$15,198.93.

Item	Check Number	Check Date	Payee Name	Documentation	Dollar Amount
1	107006121	2/20/2024	FAIRFAX HIGH SCHOOL	No invoice or other justification for disbursement	\$90.00
2	107006003	10/13/2023	THOREAU MIDDLE SCHOOL	No invoice or other justification for disbursement	\$154.00

(b) One sampled non-appropriated procurement card (PCard) purchase was made without proper supporting documentation, totaling \$103.87. The sample consisted of ten transactions, totaling \$5,605.60.

Item	PCard Name	PCard Transaction Date	Vendor Name	Documentation	Dollar Amount
1	MARSHALL HS SA6	7/19/2023	AMZN MKTP US	Used Purchase Order from FY 2023	\$103.87

Criteria:

(a) 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."

(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." Furthermore, the FCPS *School Finance Handbook* states, "POs should not cross over fiscal years."

Effect:

Purchases 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 2 – Purchasing Process

Risk Rating – Low

Condition:

(a) Three sampled cash disbursements were made outside of the proper purchasing process, totaling \$3,796.13. The sample consisted of ten transactions, totaling \$15,198.93.

Item	Check Number	Check Date	Payee Name	Notes	Dollar Amount
1	107006055	11/30/2023	SCHOOL PAPER EXPRESS	Invoiced prior to purchase order	\$1,447.00
2	107006062	12/13/2023	SCHENCK FOODS CO INC	Invoiced prior to purchase order	\$1,349.13
3	107005995	10/5/2023	GAM ENTERTAINMENT GROUP LLC	Invoiced prior to purchase order	\$1,000.00

(b) One sampled non-appropriated procurement card (PCard) purchase was made outside of the proper purchasing process, totaling \$300.70. The sample consisted of ten transactions, totaling \$5,605.60.

Item	PCard Name	PCard Transaction Date	Vendor Name	Notes	Dollar Amount
1	MARSHALL HS SA2	2/18/2024	DELTA HOTEL	Reservation made prior to purchase order	\$300.70

(c) One sampled appropriated procurement card (PCard) purchase was made outside of the proper purchasing process, totaling \$3,850.00. The sample consisted of 14 transactions, totaling \$10,573.63.

Item	PCard Name	PCard Transaction Date	Vendor Name	Notes	Dollar Amount
1	MARSHALL HS IB SD	10/16/2023	IB GLOBAL CENTER	Purchase made prior to purchase order	\$3,850.00

Criteria:

(a,b) 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."

(c) Regulation 5350 *Procurement Card Management* states, "The principal/program manager or designee is responsible for preauthorizing procurement card purchases." The FCPS *School Finance Handbook* states, "All Pcard purchases, require an approved

purchase order (PO) prior to placing any Pcard orders. POs created in the teacher Online Purchasing System (TOPS) using Appropriated Funds Pcards must be printed and signed by the principal (or designee) prior to purchasing goods and services."

Effect:

Purchases 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.