



**Business Process Audit
Poe Middle School
Report Reference Number: 24-13141**

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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 Poe Middle School conducted on April 8, 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 was one moderate and 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 Poe Middle 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 one moderate and two low risk findings:

Finding 1 – Non-Bank Reconciliation

Risk Rating – Moderate

Condition:

The Financial Management Report (FMR) reconciliations for the eight months sampled were not reconciled or approved in the online application in a timely manner. Specifically:

Month	Due Date	Date Reconciled	Date Approved
July 2023	August 31, 2023	August 23, 2023	January 9, 2024
August 2023	September 29, 2023	January 9, 2024	January 9, 2024
September 2023	October 31, 2023	January 9, 2024	January 9, 2024
October 2023	November 30, 2023	January 9, 2024	January 9, 2024
November 2023	December 29, 2023	January 9, 2024	January 9, 2024
December 2023	January 31, 2024	February 5, 2024	April 3, 2024
January 2024	February 29, 2024	March 4, 2024	April 3, 2024
February 2024	March 29, 2024	April 3, 2024	April 3, 2024

Additionally, the February 2024 physical Financial Management Expenditure and Position Reports (FMER/FMPR) were not reconciled and approved by the principal and finance technician until April 5, 2024. The completion date set by Financial Services (FS) for February 2024 was March 29, 2024.

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 FMPR and 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 FMPR/FMER reconciliation report." In addition, R5111 states, "Principals or program managers are required to certify that the reconciliations are complete and approved using the FMR application."

Effect:

Reconciliations not being completed and approved timely could allow for FMR transactions to go unverified and funds to be misappropriated.

Recommendation:

OAG recommends that the principal and finance technician complete and approve reconciliations in a timely manner.

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
<p>I agree with the findings related to the Financial Monthly Report and agree with the expected completion date of June 28, 2024. The FT and I will continue to meet on a weekly basis to ensure timelines are met. We will create a calendar and do check in's as needed to review any necessary reports and approve them to meet the regulation guidelines.</p>	<p>Finance Technician, Principal</p>	<p>June 28, 2024</p>

Finding 2 – Bank Reconciliation

Risk Rating – Low

Condition:

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

- February 2024 Bank of America bank statement was signed but not dated by the principal as of April 8, 2024.

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.” The *School Finance Handbook* also states, “The Principal must sign and date the actual bank statement.” Regulation 5910 *Monetary Receipts* states, “All reconciliations must be reviewed and signed by the program manager.” 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 not completed/approved in a timely manner may cause errors to go undetected.

Recommendation:

OAG recommends that the principal and finance technician sign and date the bank 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) One sampled non-appropriated procurement card (PCard) purchase was made outside of the proper purchasing process, totaling \$1,231.20. The sample consisted of ten transactions, totaling \$2,337.57.

Item	PCard Name	PCard Transaction Date	Vendor Name	Notes	Dollar Amount
1	POE MS SA1	11/22/2023	TUXEDO WHOLESALE	Transaction made prior to purchase order	\$1,231.20

(b) One sampled cash disbursement was made outside of the proper purchasing process, totaling \$125.00. The sample consisted of ten transactions, totaling \$826.24.

Item	Check Number	Check Date	Payee Name	Notes	Dollar Amount
1	114101487	11/27/2023	PETER MATTHEW BERGEN	Invoiced prior to purchase order	\$125.00

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."

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.