



FCPS Audit Report: 24-1003 – Grants Audit

June 2024

Prepared by
Office of Auditor General

8115 Gatehouse Road, Suite 5500
Falls Church, VA 22042

Report Highlights

<p>Background: FCPS receives grants from federal, state, and others including local government agencies, private foundations, nonprofit organizations, and charities, and privately and publicly held corporations. During FY 2023, there was a total of (a) \$382,915,901 in federal, state, and other grants and (b) \$157,441 in Local School Activity Fund (LSAF) grants.</p>	<p>Audit Objectives:</p> <ul style="list-style-type: none"> • Examine compliance with grant requirements, and • Evaluate the design and operation of applicable internal controls, including division-wide and site-based controls, stipends, pay bands, and management monitoring activities.
<p>Financial Indicators (from FCPS FY23 Program Budget): Grants and Self-Supporting Fund Budget: \$67.2 million</p>	

#	Finding	Recommendations
1	<p>Four LSAF grants, totaling \$26,547 did not comply with FCPS grant requirements including Regulation 5970, <i>Grants</i>, and the Grants Manual.</p>	<ul style="list-style-type: none"> • School principals should review and approve grant applications prior to submission. • Department of Financial Services (DFS) Grants Management Team should clarify the requirements with schools, especially, when grants are managed by Educate Fairfax, stipulated in Regulation 5970, <i>Grants</i> and the Grants Manual, where Educate Fairfax should be treated as an “other grantor”. • DFS Grants Management Team should provide necessary training to potential grant applicants to ensure the proper approval process is followed.

Risk rating: High, Moderate and Low

One Observation: Regulation 5970, *Grants* and the Grants Manual reference multiple components which are no longer applicable. OAG recommends DFS Grants Management Team should consider updating Grants Regulation and Manual to align with current FCPS processes.

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Executive Summary

Office of Auditor General (OAG) conducted a performance audit of Grants in accordance with the Fiscal Year (FY) 2024 audit plan approved by the Fairfax County School Board.

Fairfax County Public Schools (FCPS) receives grants from federal, state, and others including local government agencies, private foundations, nonprofit organizations and charities, and privately and publicly held corporations. These grants are subject to various grant terms and conditions, as well as the FCPS applicable internal requirements. During FY 2023, there was a total of (a) \$382,915,901¹ in federal, states and other grants and (b) \$157,441 in Local School Activity Fund (LSAF) grants.

The scope of this audit includes an evaluation of FCPS grants from July 1, 2022, through December 31, 2023. The objectives of this audit included the following:

- Examine compliance with grant requirements, and
- Evaluate the design and operation of applicable internal controls, including division-wide and site-based controls, stipends, pay bands, and management monitoring activities.

As a result of this audit, OAG identified one moderate risk finding and one observation which are detailed below. Management agrees with the findings and recommendations.

Finding 1 - Compliance with School Grants

OAG reviewed a sample of ten school grants and noted four grants did not comply with FCPS grant requirements including Regulation 5970, *Grants*, and the Grants Manual. OAG noted the following:

1. Cub Run Elementary School Grant: A grant totaling \$500 was received from Exxon Mobil. The purpose was to provide funding for an outdoor learning garden at Cub Run Elementary School, in exchange for teacher volunteering hours. Exceptions noted were:
 - a. This grant included an in-kind contribution requirement (i.e., where teacher volunteering hours are required); however, it was not submitted to Grants Development for review prior to grant application, hence it was not tracked in FOCUS.²
 - b. This grant was not properly approved by the school principal prior to the grant application.
 - c. The grant funding was deposited in the school's LSAF account and a total disbursement of \$500 was paid directly to the teacher from the LSAF account. Due to the lack of supporting documentation, OAG could not determine whether the grant funds were used for the purpose of the grant. Per the school finance technician, the disbursement was a reimbursement for hours and materials that the teacher spent on the outdoor learning garden.

¹ This number excludes school nutrition grants.

² Financial system for appropriated grants.

2. Chantilly, Westfield, and Annandale High School Grants: The grants combined totalled \$26,047 and were managed by Educate Fairfax³. Based on review of the grants, OAG noted:
 - a. The three grants were not approved by the school principal prior to submission.
 - b. One of the three grants in the amount of \$22,447, to pay for music field trips, exceeded the \$5,000 amount to be considered an LSAF grant. Grants Development was not notified for this grant to be tracked as an appropriated grant. The grants funds were deposited in the school's LSAF account and tracked via Great Plains⁴ instead of FOCUS.

OAG recommends that (1) school principals should review and approve grant applications prior to submission, (2) Department of Financial Services (DFS) Grants Management Team should clarify the requirements with schools, especially, when grants are managed by Educate Fairfax, specifically about the requirements stipulated in Regulation 5970 and the Grants Manual, where Educate Fairfax should be treated as an "other grantor", and (3) DFS Grants Management Team should provide necessary training to potential grant applicants to ensure the proper approval process is followed.

Observation 1 - Updates to Regulation 5970 and Grants Manual

OAG noted that Regulation 5970, *Grants* and the Grants Manual reference multiple components that were no longer applicable. OAG recommends DFS Grants Management Team should consider updating the Grants Regulation and Manual to align with current FCPS processes.

We appreciate the consultation, cooperation, and courtesies extended to our staff by the DFS Grants Management Team and the Grants Project Teams.

³ A 501(c)(3) entity, formerly known as Foundation for FCPS, funds educational opportunities grants.

⁴ Financial System for Local School Activity Funds.

Background, Scope and Objectives, and Methodology

Background

FCPS Regulation 5970, *Grants* defines a grant as any external funding awarded in response to an application or proposal where funding is designated for a specific purpose, has reporting requirements, and usually requires funds be expended within a specific timeframe. FCPS receives grants from federal, state, and local government agencies, private, corporate, foundation, or individual grantors.

Grants Management

Once awarded, a grant is a contractual agreement between FCPS and the grantor. Each grant is subject to the individual terms of the agreement and FCPS, by accepting the grant award, FCPS must fulfill the terms of the agreement. All grants are subject to applicable FCPS guidelines and regulations.

Regulation 5970, *Grants*, the Grants Manual, and the grants website provide overall grants management guidance for the division. Regulation 5970, *Grants* establishes guidelines and procedures for the development, management, and administration of grants. The Grants Manual further elaborates on specific processes and procedures for the various phases of the Grants Life Cycle, from pre-award processes through award closeout. The grants website includes a variety of information related to grants, including links to reference materials such as federal grant regulations, FCPS and Virginia travel regulations, frequently asked questions, and resources for finding grants. In addition to grant specific guidance, grant program managers must follow all FCPS regulations related to employment, financial management, procurement, reporting, and record retention.

Grants Management Organizational Structure

Grants management at FCPS involves two groups with supplemental responsibilities, the Department of Financial Services (DFS) Grants Management Team and the Grants Project Team or “grantee”. The responsibilities for these two teams are outlined below.

1. **Department of Financial Services (DFS) Grants Management Team:** The DFS Grants Management Team provides general guidance and support for all grants and consists of five functional areas working together as a cohesive unit. This team is responsible for implementing the grant process from the pre-award stage to the final close-out stage. Grant recipients are encouraged to consult with the applicable member of the DFS Grants Management Team to resolve any questions or issues with their respective grants. The team includes the following sections:
 - a. **Grants Development:** Grants Development in the Office of Budget Services (OBS) facilitates the grant application and proposal submission process with individuals, schools, and departments within FCPS. Grants Development provides guidance and assistance in the development of the grant proposal ensuring FCPS and grantor application requirements are met.
 - b. **Grants Budgeting:** Grants Budget in OBS works with grant program managers regarding all aspects of grant budgets, from post award to closeout.
 - c. **Grants Accounting:** Grants Accounting in the Office of the Comptroller ensures that all grant funds are utilized within the specified grant period and according to the terms of the grant. This team ensures reimbursements are

submitted within the specified grant period and according to the terms of the grant.

- d. **Grants Compliance:** Grants Compliance in the Office of the Comptroller provides technical assistance, interpretation of grantor's compliance and regulatory guidance, and support to grant program managers and project directors throughout the life cycle of the grant. This team ensures all grant activities are in compliance with grant requirements; applicable federal, state, and local government statutes and regulations; as well as FCPS regulations and policy.
 - e. **Financial Support:** Financial Support in the Office of the Comptroller provides financial support and training to schools and departments. The financial support team provides guidance to individual schools with the financial management of LSAF grants.
2. **Grants Project Teams:** Grants Project Teams consist of department or school personnel who are responsible for the implementation of a grant according to the terms of the grant. The Grants Project Teams typically consist of, at a minimum, a project director, program manager, and a financial assistant or analyst.

Grant Categories

FCPS grants fall into one of the two categories:

1. **Appropriated Grants:** Appropriated grants meet any one of the following criteria and must be submitted to grants development for content review, budget approval, and verification of application criteria prior to submission to the grantor:
 - a. Funding of \$5,000 or more, including both FCPS and non-FCPS resources.
 - b. Federal or state funds, regardless of amount.
 - c. Research grants.
 - d. Financial matches.
 - e. Funding for positions, including part-time or hourly.
 - f. In-kind funding or service contribution.
 - g. Collaborative grants with agencies, organizations, or other school systems.

Grant applications that meet the criteria of an appropriated grant must be submitted to Grants Development for content review, budget approval, and verification of application criteria prior to submission to the grantor. The DFS Grants Management Team provides the overall leadership in implementing and monitoring the grant management process for appropriated grants and ensuring the process is functioning effectively and efficiently.

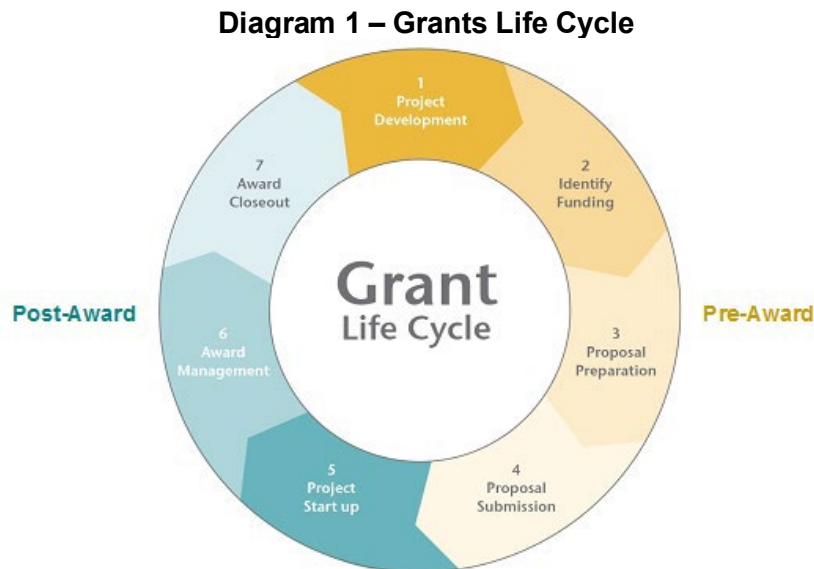
2. **Local School Activity Funds (LSAF) Grants:** LSAF grants are individual school grants which do not meet the above criteria. LSAF grants must be reviewed and approved by the school principal prior to applying. While LSAF grants are still subject to FCPS compliance requirements, where applicable, Regulation 5970, *Grants* recommends that LSAF grant recipients consult with Grant Compliance if there are questions or issues regarding compliance with the terms of a grant.

Grants meeting the criteria of an LSAF grant do not require review by the Grants Development Team prior to submitting an application. The DFS Grants Management Team serves as a resource for school-based staff regarding grants management concepts and principles.

Grant Lifecycle Steps

The grants lifecycle has two distinct phases, pre-award, and post-award. Components of the pre-award phase, as described below, revolve around developing, identifying, and obtaining grant opportunities. The post-award phases include day-to-day activities which involve implementing and meeting programmatic and administrative requirements.

Diagram 1 – Grants Life Cycle below shows the pre-award and post-award phases:



- A. **Pre-award Phase:** The Grants Development section of the DFS Grants Management Team coordinates this activity on behalf of the school division. The Grants Manual describes the various pre-award phase components as follows:
- **Project Development:** recognizing a need, establishing goals, identifying an opportunity.
 - **Identify Funding:** finding a funding source that aligns with the need.
 - **Proposal Preparation:** developing a proposal narrative and budget, obtaining supporting documents and leadership approval.
 - **Proposal Submission:** applying and receiving the award.
- B. **Post-Award Phase:** The DFS Grants Management Team provides central administrative services and oversight while the Grants Project Team manages daily operations. The Grants Manual describes the various post-award phase components as follows:
- **Project Start Up:** setting up the program in FOCUS, if the award value is \$5,000 or meets any of the appropriated grant criteria.
 - **Award Management:** implementing the project, managing the program and budget, complying with FCPS rules and regulations as well as the terms and conditions of the grant award and organization, evaluating the program, reporting on project obligations, submitting reimbursements if required by the program.
 - **Award Closeout:** completing and closing out the grant.

Scope and Objectives

OAG conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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, observations and conclusions based on our audit objectives.

The objectives of the audit were to perform the following:

- Examine compliance with grant requirements, and
- Evaluate the design and operation of applicable internal controls, including division-wide and site-based controls, stipends, pay bands, and management monitoring activities.⁵

The scope of this audit includes an evaluation of FCPS grants for the period of July 1, 2022 through December 31, 2023.

As required by GAGAS, OAG assessed whether internal control was significant to the audit objectives. OAG's assessment included the use of the Committee of Sponsoring Organizations of the Treadway Commission internal control framework. The framework includes five components: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring; along with 17 related principles.

Methodology

To satisfy our audit objectives, the audit team performed the following:

- Reviewed applicable grant requirements and FCPS' grant policies, regulations and procedures.
- Reviewed FCPS Single Audit reports conducted by external auditors.
- Conducted walkthrough meetings to gain an understanding of the grant process with the DFS Grants Management Team and the Grants Project Teams.
- Mapped the grant phases through flowchart outlining the life cycle process (i.e., pre award, award, post-award activities).
- Determined whether the processes used to monitor grant activity are efficient and effective.
- Tested internal controls and compliance of grant requirements for appropriated and non-appropriated grants, on a sampling basis.

Sampling Plan

OAG selected a sample of grants to test internal controls and compliance. While each grant is different and has different execution requirements, this audit broadly reviewed the following where applicable:

- Application and Approvals
- Allowability of Expenses
- Review and Submission of Reimbursement Claims
- Legal Compliance and Submission of Required Reports
- Matching Requirements
- Subrecipient Monitoring

⁵ Stipends were not included in the sample of grants expenditures selected for testing.

The sample selection consists of the following (a) federal, state, and other grants and (b) LSAF grants:

A. Federal, State and Other Grants

1. **Closed Grants:** from a population of 28 grants⁶ that were closed during FY 2023 totaling \$13,144,846, the audit team selected six grants for testing.

Table 1- Closed Grants Sample

#	Grant Type	Grant Name	Grant Period	Grant Budget
1	Federal	IDEA Special Education ARP	7/1/2021-9/30/2023	\$8,325,827
2	Federal	Perkins	6/27/2022-11/30/2023	\$2,195,731
3	State	GAE Regional	7/1/2013-8/28/2023	\$212,530
4	State	NOVA Talent Ready	5/19/2021-8/11/2023	\$153,600
5	Other	Luther Jackson Middle School Micron	8/26/2021-6/30/2023	\$7,000
6	Other	Herndon Elementary School QuickStart	7/1/2022-6/30/2023	\$1,000

2. **Opened Grants:** from a population of 20 grants that were opened during FY 2023 totaling \$3,052,645, the audit team selected four grants for testing.

Table 2 - Opened Grants Sample

#	Grant Type	Grant Name	Grant Period	Grant Budget
1	Federal	SBMH Services	1/1/2023-12/31/2027	\$2,351,965
2	Federal	VDH Health Workforce	7/1/2022-7/1/2024	\$221,541
3	State	CTE Skilled Trades	6/1/2023-7/30/2024	\$125,000
4	Other	Johnson Middle School Qualcomm	7/1/2022-7/1/2024	\$7,000

3. **Subrecipient Grants:** from a population of two subrecipient grants during FY 2023 totaling \$2,203,547, the audit team select one grant for testing.

Table 3 – Subrecipient Grants Sample

#	Grant Type	Grant Name	Grant Period	Grant Budget
1	Subrecipient	Adult Education and Family Literacy Act (AELFA)	5/1/2013-6/30/2024	\$2,017,044

⁶ OAG excluded the Type A federal grants audited in the FY 2023 Single Audit report and school nutrition grants, from sampling to avoid duplication. Type A programs are defined as federal programs with federal awards expended during the audit period exceeding specified levels.

B. LSAF Grants

From a population of 102 grants in Great Plains totaling \$157,441, the audit team selected ten LSAF grants.

Table 4 - LSAF Grants Sample

#	School	Grant Name	Grant Amount
1	Thomas Jefferson High School for Science and Technology	Regerneron Science Talent Search	\$8,000
2	Churchill Road Elementary School	Bobcat Innovation Station	\$1,985
3	Cub Run Elementary School	Exxon Mobil Education Grant	\$500
4	Willow Springs Elementary School	Martin Grant	\$1,000
5	Irving Middle School	Amy Wells Grant-Virginia FCCLA Leadership Foundation	\$500
6	Glasgow Middle School	Cox Education Hero	\$1,000
7	Annadale High School	Educate Fairfax Grant-Michael I. Marshall Fund for Music Education	\$22,447
8	Chantilly High School	Educate Fairfax - I'm a Designer Grant	\$1,600
9	Longfellow Middle School	NEA Foundation U'Halie	\$2,980
10	Westfields High School	Educate Fairfax - My Prof Self Wkshp Technology Inst	\$2,000

OAG Organization

OAG is free from organizational impairments to independence in our reporting as defined by government auditing standards. OAG reports directly to the Fairfax County 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.

Audit Findings, Recommendations, and Management’s Responses

The finding(s) within this report has been attributed a risk rating in accordance with established risk criteria as defined in Table 5.

Table 5 – 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 FCPS 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 FCPS 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 FCPS operations.

OAG identified one moderate risk finding and one observation.

Observation Risk Rating: Observations are defined as risks identified which either (a) are not included in the audit objectives, or (b) do not arise to the level of low findings, but that OAG would like to communicate to stakeholders. No formal management response or OAG follow-ups are required on observations.

Finding 1 – Compliance with School Grants

Risk Rating: *Moderate – Compliance with subject government regulations or FCPS policies and established procedures is inadequate, or FCPS policies and established procedures are inadequate*

Condition:

OAG reviewed a sample of ten school grants and noted four grants did not comply with FCPS grant requirements including Regulation 5970, *Grants*, and the Grants Manual. OAG noted the following:

1. Cub Run Elementary School Grant: A grant totaling \$500 was received from Exxon Mobil. The purpose was to provide funding for an outdoor learning garden at Cub Run Elementary School, in exchange for teacher volunteering hours. Exceptions noted were:
 - a. This grant included an in-kind contribution requirement (i.e., where teacher volunteering hours are required), however it was not submitted to Grants Development for review prior to grant application, hence it was not tracked in FOCUS.
 - b. This grant was not properly approved by the principal prior to the grant application.
 - c. The grant funding was deposited in the school's LSAF account and a total disbursement of \$500 was paid directly to the teacher from the LSAF account. Due to the lack of supporting documentation, OAG could not determine whether the grant funds were used for the purpose of the grant. Per the school finance technician, the disbursement was a reimbursement for hours and materials that the teacher spent on the outdoor learning garden.

Per OAG understanding, there are likely more grants to be received from Exxon Mobil for the employee as the grant allows up to \$2,000.

2. Chantilly, Westfield, and Annandale High School Grants: The grants combined totalled \$26,047 and were managed by Educate Fairfax. Based on review of the grants, OAG noted:
 - a. The three grants were not approved by the principal prior to submission.
 - b. One of the three grants in the amount of \$22,447, to pay for music field trips, exceeded the \$5,000 amount to be considered an LSAF grant. Grants Development was not notified for this grant to be tracked as an appropriated grant. The grants funds were deposited in the school's LSAF account and tracked via Great Plains instead of FOCUS.

OAG reviewed a sample of 11 federal, state, and other grants, and did not identify any exceptions.

Criteria:

- According to FCPS Regulation 5970, *Grants*, grant applications that meet the criteria of an appropriated grant must be submitted to grants development for

content review, budget approval, and verification of application criteria prior to submission to the grantor. Appropriated grants are subject to the following criteria:

- Funding of \$5,000 or more, including both FCPS and non-FCPS resources.
- Federal or state funds, regardless of amount.
- Research grants.
- Financial matches.
- Funding for positions, including part-time or hourly.
- In-kind funding or service contribution.
- Collaborative grants with agencies, organizations, or other school systems.
- According to FCPS Regulation 5970, *Grants*, all school-based grant applications (Appropriated or LSAF) must be approved by the principal prior to submission. Grants meeting the criteria of an LSAF grant do not require review by the Grants Development Team prior to submitting an application.

Cause:

The appropriate process was not followed to properly notify the Grants Development Team and the principal to ensure grant funds were adequately approved, disbursed and tracked.

Effect:

- The school grants were wrongly classified as an LSAF grant instead of an appropriated grant, hence it was processed and tracked in Great Plains accounting system instead of FOCUS. Therefore, the Grants Development Team was not properly notified in order for the DFS Grants Management Team to provide proper oversight over the use of the grant funds.
- Not obtaining appropriate review and approval before submitting a grant application can lead to misuse of grant funds and/or misalignment with school priorities.
- The identified grant payment of \$500 made to the FCPS employees using school activity funds did not comply with Internal Revenue Service payment classifications, tax withholding, and reporting rules.

Recommendation:

OAG recommends:

- School principals should review and approve grant applications prior to submission.
- The DFS Grants Management Team should clarify the requirements with schools, especially, when grants are managed by Educate Fairfax, specifically about the requirements stipulated in Regulation 5970, *Grants* and the Grants Manual, where Educate Fairfax should be treated as an “other grantor”.
- The DFS Grants Management Team should provide necessary training to potential grant applicants to ensure the proper approval process is followed.

Management Responses (Actions and Due Date):

DFS Grants Management Team concurs with these findings and recommendations.

- The Office of the Comptroller will create a grant quick reference guide that incorporates approval requirements for principals. The document will be sent to

all principals for review and signature. DFS will also publish a copy to the employee hub.

- The new grant quick reference guide for principals and staff will clarify the pre-approval process and requirements for grants from all grantors.
- The Office of the Comptroller will create a grant finance quick reference guide for teachers. Principals will be required to share this document with all staff.
- The Office of the Comptroller will create a process (form, webform, etc.) for schools to report all LSAF grants received during the school year. This form will be required and capture the following: grantor, purpose of the grant, applicant information (e.g., teacher), intended use of the grant by the school, dollar amount, reimbursement based or advance, period of the grant, reporting and documentation requirements. The new report will require the signature of the grantee, finance technician/administrative assistant (FT/AA), and the principal at the school. The form must route to the Financial Support Team.

The completion date is September 2024.

Observation 1 – Updates to Regulation 5970, *Grants* and Grants Manual

Regulation 5970, *Grants* and Grants Manual reference multiple components that were no longer applicable such as:

- Time and effort records supporting documentation for state and federal grants must include time and effort certification forms (i.e., Semi Annual Personnel Activity Report and Monthly Activity Report). Clarifications are required to Regulation 5970 and the Grants Manual to reflect the current time and effort supporting documents, including MyTime records.
- Links to access current grants resources are broken. For example, links to Regulation 5970, *Grants*, Notice 5961 and the Grants Development Offices are no longer accessible within the Grants Manual.

OAG recommends DFS Grants Management Team should consider updating Grants Regulation and Manual to align with current FCPS processes, and then communicating the updates with the stakeholders.