



Business Process Audit Hollin Meadows Elementary School Report Reference Number: 25-13214

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Report Highlights

Background:

This audit report summarizes the results of the Office of Auditor General’s Business Process Audit at Hollin Meadows Elementary School (HMES) conducted on September 5, 2024. The audit was performed in accordance with the Fiscal Year (FY) 2025 audit plan approved by the Fairfax County School Board (School Board).

Objectives:

- Evaluate the effectiveness of processes and compliance with regulations and policies.
- Determine if internal controls are adequate and functioning as intended.
- Determine if transactions are reasonable and do not appear to be fraudulent.

Methodology:

- Met with school-based staff.
- Reviewed relevant FCPS policies and regulations.
- Reviewed prior audits and reviews.
- Tested a sample of transactions to ensure they are accurate, allowable, complied with FCPS requirements, and that proper supporting documentation is maintained.

During this audit, OAG identified one high, one moderate, and four low risk findings. Only the high and moderate findings are summarized below:

#	Finding	Risk Rating
1	Dormant Greenhouse Equipment - HMES received a donation of \$26,000 from Hollin Meadows Partnership to support the Outdoor Education program and build a learning greenhouse on the school's campus. Greenhouse equipment was purchased at \$16,055.46 on March 15, 2022; however, the greenhouse was never installed.	High
2	Personnel Payment - One sampled cash disbursement was improperly made to an FCPS employee for services provided (Yearbook coordinator fee), totaling \$600. The sample consisted of 11 disbursements, totaling \$27,047.27. An invoice was issued to pay an FCPS employee, but the payment for services bypassed the proper payroll process.	Moderate

#	Recommendation
1	OAG recommends that the Region Assistant Superintendent office and the principal timely monitor the progress of donation-related projects, to ensure appropriate fidelity of implementation.
2	OAG recommends that management consider whether retroactive actions should be taken to remedy the non-compliance with tax withholding and reporting, and that the school only pay FCPS employees through the automated Human Resources system, following the steps outlined in R5640, section VII.

For more information and context, please refer to the report in its entirety.

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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 Hollin Meadows Elementary School (HMES) conducted on September 5, 2024. The audit was performed in accordance with the Fiscal Year (FY) 2025 audit plan approved by the Fairfax County School Board (School Board).

The scope of this audit includes transactions and procedures that occurred during the period of July 1, 2020, through July 31, 2024. The objectives were:

- To evaluate the effectiveness of office processes and assess compliance with applicable regulations and policies.
- To determine if internal controls are adequate and functioning as intended.
- To determine if transactions are reasonable and do not appear to be fraudulent.

As a result, OAG identified one high, one moderate, and four low risk findings. Only the high and moderate findings are summarized below:

Finding 1 – Dormant Greenhouse Equipment [High Risk]

HMES received a donation of \$26,000 from Hollin Meadows Partnership to support the school's Outdoor Education program and build a learning greenhouse on the school's campus. Greenhouse equipment was purchased at \$16,055.46 on March 15, 2022; however, the greenhouse was never installed. The spending of \$16,055.46 could be perceived as waste according to FCPS Policy 1107, due to the fact that the equipment was purchased, but was not put into use since March 2022.

Finding 2 – Personnel Payment [Moderate Risk]

One sampled cash disbursement was improperly made to an FCPS employee for services provided, totaling \$600. The sample consisted of 11 disbursements, totaling \$27,047.27. An invoice was issued to pay an FCPS employee, but the payment for services bypassed the proper payroll process. Authorization for the payment was given verbally by the former principal and supported by an approved purchase order. However, no formal tax documentation or paperwork was completed.

We appreciate the consultation, cooperation, and courtesies extended to our staff by the finance assistant and principal at HMES.

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 2021 through 2025 financial activities. 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 assistants 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 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 Microsoft Excel 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 reviewed 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 high, one moderate, and four low risk findings.

Finding 1 – Dormant Greenhouse Equipment

Risk Rating – High

Condition:

On June 15, 2021, HMES received a donation of \$26,000 from Hollin Meadows Partnership to support the school's Outdoor Education program and build a learning greenhouse on the school's campus. The specifications that the school sent to the vendor stated, "*We have a very large production space, and are adding on an acre and a half farm and looking for a large greenhouse.*" Four quotations were obtained according to FCPS requirements, and Zimmermans Welding, LLC was selected for the lowest cost of \$16,055.46.

Greenhouse equipment was purchased at \$16,055.46 (including \$2,400 in shipping fees) on March 15, 2022; however, the greenhouse was never installed. The unassembled greenhouse equipment was placed in the school courtyard, and remained there until August 30, 2024. The greenhouse equipment is currently stored by the Office of Facilities Management (OFM), until a decision is made of how to use it. The spending of \$16,055.46 could be perceived as waste according to FCPS Policy 1107, due to the fact that the equipment was purchased, but was not put into use since March 2022.

In addition to the greenhouse equipment, the school also purchased approximately \$730 in materials, including lumber and wheelbarrows, with the donation, resulting in about \$9,215 of the original \$26,000 donation remaining. OAG walked around the school grounds on September 5, 2024, and saw sufficient evidence that the lumber and wheelbarrows were in existence and in use (*Appendix A*). OAG inquired with the school administration about the materials which made up the \$16,055.46 purchase, and it appears that none of the materials were used on the school grounds.

When inquiring about why the greenhouse equipment remained un-installed since March 2022, based upon email correspondence, it appears that the school had submitted a DC407¹ request on February 2, 2022 to OFM, to request for the installation of the greenhouse. The greenhouse was purchased on March 15, 2022, and the school was notified on the same day that a permit would be required before proceeding with installation due to the size of the structure. On May 27, 2022, the school was notified by OFM that the vendor would not provide structural drawings needed for installation and FCPS did not have an engineer that can create and stamp permit drawings. The last update from school staff on August 25, 2022, indicated that they could not find an architect to create and stamp drawings for the permit. Without stamped and approved drawings as required by Fairfax County, the school was unable to proceed with installation. No further documentation was provided to substantiate the no-action taken place afterwards, or when and why the purchase was approved. Based upon the available documentation, it appears that at the time of purchase, the former principal and an hourly staff oversaw the process; both individuals are not currently employed with FCPS. Per discussion with the current school administration, the school does not have the funding to support staff to take care of the garden/courtyard. Currently, a teacher has been volunteering their time for this initiative.

Criteria:

FCPS Policy 1107 *Fraud, Waste, and Abuse* defines waste as, "the intentional or unintentional, thoughtless or careless expenditure, consumption, mismanagement, use or squandering of resources owned or operated by FCPS to the detriment or potential detriment of FCPS."

¹ DC407 work orders refer to work that alters or adds to an existing FCPS facility.

Regulation 8270 *Capital Outlay and Facilities Improvements* states, "Work to alter or add something to an existing facility constitutes capital outlay and/or facilities improvements... Capital outlay work including facilities improvements to buildings and grounds shall be the responsibility of the Department of Facilities and Transportation Services... Under no circumstances shall a program manager authorize a facilities improvement without prior review and approval by the Office of Design and Construction Services. This review and approval is necessary to ensure that the proposed facility modification meets state and local building code requirements and the educational facility standards established by the state Department of Education and Fairfax County Public Schools. This review and approval is also necessary to protect the program manager in the event of failure of the facility."

Cause:

Greenhouse equipment was procured prior to OFM determining if the greenhouse had the proper documentation and permits required for installation.

Effect:

The greenhouse was never assembled, and donation funds were not used to support the greenhouse initiative in an actionable way, resulting in the perception of a potential waste of funds and resources.

Recommendation:

OAG recommends that the Region Assistant Superintendent office and the principal timely monitor the progress of donation-related projects, to ensure appropriate fidelity of implementation.

Management Response (Required):

A management response is required for this finding due to the high 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><u>Principal Response:</u> I concur with the findings conducted and promise to adhere to the recommendations. I am the new principal at Hollin Meadows and can ensure that in the future when I hire a new Administrative Assistant, I will work at monitoring the progress of the any projects related to any donations.</p>	Principal	November 5, 2024

Region Assistant Superintendent Response:

The finding coincides with my understanding of the challenges faced with implementation of the greenhouse donation. Noting that this donation and purchase preceded my tenure in the Region 3 office, this finding coincides with my understanding of the challenges faced with implementation of the greenhouse donation. Given the permitting challenges, the lack of structural drawings, the lack of access to an engineer that can create and stamp permit drawings, combined with the lack of funding to staff the greenhouse, I will work closely with the Department of Facilities, the school principal, and a Hollin Meadows community representative (current Hollin Meadows parent / PTA member) to follow FCPS guidance on donating or auctioning off the greenhouse. I will also work closely with school principals so that school donations are brought to my attention, and I can be of proactive support for donation-related projects.

Finding 2 – Personnel Payment

Risk Rating – Moderate

Condition:

One sampled cash disbursement was improperly made to an FCPS employee for services provided, totaling \$600. The sample consisted of 11 disbursements, totaling \$27,047.27.

Item	Check Number	Check Date	Purchase Description	Amount
1	121400742	5/31/2024	Yearbook coordinator fee	\$600

An invoice was issued to pay an FCPS employee, but the payment for services bypassed the proper payroll process. Authorization for the payment was given verbally by the former principal and supported by an approved purchase order. However, no formal tax documentation or paperwork was completed.

OAG identified two additional personnel payments related to yearbook coordinator fee, totaling \$900. The first payment for \$600 was made on June 17, 2022, and the second check of \$300 was issued on June 20, 2023.

Criteria:

According to FCPS Regulation 5640 *Payment for Summer School, Curriculum Development, and Other Temporary Assignments*, "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."

Cause:

A disbursement was issued to the FCPS employee with local funds rather than through the payment processes detailed in Regulation 5640.

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 management consider whether retroactive actions should be taken to remedy the non-compliance with tax withholding and reporting, and 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.

Payroll Response: In conjunction with the Comptroller's office, we investigated the possibility of retroactively correcting the payments to employees but as they occurred in prior fiscal years, correction is not recommended.

Planned Action	Action Owner(s)	Expected Completion Date
<p><u>Principal Response:</u> I concur with the findings and recommendations. As the new principal of Hollin Meadows, I will ensure that in the future the new Administrative Assistant dispenses checks for employees through the HR office to ensure that they are taxed accordingly.</p>	Principal	November 5, 2024

Finding 3 – Non-Bank Reconciliation

Risk Rating – Low

Condition:

The Financial Management Report (FMR) reconciliation for the one month sampled was not reconciled/approved in a timely manner. Specifically:

- July 2024 FMR was not approved in the online application until September 9, 2024. The completion date set by Financial Services (FS) for July 2024 was August 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 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 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."

Cause:

The current principal for HMES assumed the role on July 1, 2024. Turnover in the reconciler or approver roles causes reconciliation processes to be interrupted until training and onboarding is completed.

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 assistant complete and approve reconciliations in a timely manner.

Management Response (Not Required):

A management response is not required for this finding due to the low risk rating.

Finding 4 – Timely Payment

Risk Rating – Low

Condition:

One payment to BEDFORD FALLS BOOK FAIRS was not paid timely, totaling \$2,820.00:

Item	Payee Name	Payment Due Date	Actual Date Paid	Invoice Amount
1	BEDFORD FALLS BOOK FAIRS	11/28/2022	12/19/2022	\$2,820.00

Although payment was made after due date, no late fees were incurred.

Criteria:

Regulation 5810 *School Activity Funds Management* states, "Disbursements must be processed in a timely manner to avoid late fees and take advantage of discounts."

Cause:

A purchase order was created prior to the payment due date, but the check was not posted until after payment was due.

Effect:

Payments not made by due dates may lead to a waste of funds being spent on late fees.

Recommendation:

OAG recommends that obligations should be paid promptly to avoid penalty fees.

Management Response (Not Required):

A management response is not required for this finding due to the low risk rating.

Finding 5 – Purchasing Process

Risk Rating – Low

Condition:

One sampled cash disbursement was made outside of the proper purchasing process, totaling \$298.93. The sample consisted of 10 transactions, totaling \$27,047.27.

Item	Check Number	Check Date	Payee Name	Notes	Dollar Amount
1	121400709	5/18/2023	HOORAY FOR BOOKS	Funds were obligated prior to an approved purchase order (PO) being established.	\$298.93

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 must be preapproved by the principal or designee, before obligating school activity funds."

Cause:

An order for goods was placed, creating an obligation for the school to make payment, prior to principal approval being obtained.

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.

Finding 6 – Sufficient Documentation

Risk Rating – Low

Condition:

(a) Two sampled cash disbursements were made without proper supporting documentation, totaling \$5,810.00. The sample consisted of 11 transactions, totaling \$27,047.27.

Item	Check Number	Check Date	Payee Name	Missing Documentation	Dollar Amount
1	121400729	2/2/2024	CAPITAL MURALS	Donation support	\$2,905.00
2	121400737	3/13/2024	CAPITAL MURALS	Donation support	\$2,905.00

A donation account was charged for these disbursements; however, there was no documentation available specifying what the donated funds were to be used for.

(b) One sampled procurement card (PCard) purchase was made without proper supporting documentation, totaling \$1,157.00. The sample consisted of ten transactions, totaling \$2,474.44.

Item	PCard Name	PCard Transaction Date	Vendor Name	Missing Documentation	Dollar Amount
1	HOLLIN MEADOWS ES SA1	8/9/2024	CAPITAL CHICKEN	Donation support	\$1,157.00

A donation account was charged for this transaction; however, there was no documentation available specifying what the donated funds were to be used for.

Criteria:

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."

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, "Donors (e.g., Parent Teacher Association/Organization [PTA/PTO], booster organization, etc.) are encouraged to specify the purpose of cash gifts in writing. Nonetheless, if cash gifts are to be used for a purpose for which school activity funds are not authorized, the donor's intention must be specified in writing and be available for audit review. Consequently, specifications for donated funds to be used for "any purpose" are not acceptable and further specifications will be needed. Funds donated under such circumstances will be considered subject to all requirements set forth for expenditure of other school activity funds."

Cause:

Donated funds were not properly documented and accounted for by the school.

Effect:

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

Recommendation:

OAG recommends that the finance assistant and principal document and account for donations made to the school so that expenditures of these funds support the intended purpose of the donation. OAG also recommends that donation documentation be filed with a properly completed and approved purchase order and an original itemized receipt when expending these funds.

Management Response (Not Required):

A management response is not required for this finding due to the low risk rating.

Appendix – Evidence of Wheelbarrows and Lumber

(Pictures from September 5, 2024, School Visit)

