

FY26 OAG Internal Audit Status
For the Audit Committee on November 17, 2025

Audit Topics	2025						2026						
	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
1. Local School Activity Funds for Year Ending - June 30, 2025/Continuous Monitoring (Carry Over)	Completed												
2. Business Process Audits	Ongoing												
3. Healthcare Claims Management		Completed											
4. Hourly Employee Structure and Stipends							Ongoing						
5. Local School Activity Funds for Year Ending - June 30, 2026											Ongoing		
6. School and Office Safety		Pln		Exe		Rpt							
7. Specific Contracts, Vendor Management							Ongoing						
8. Continuous Monitoring	Ongoing												
9. OAG System of Quality Management/External Peer Review	Ongoing												
10. Other OAG Duties	Ongoing												

Planning (Pln), Execution (Exe), Reporting (Rpt) determined once scoping complete

Please refer to the **Appendix** for the details behind the audit topics.

Key Updates

A. Local School Activity Funds for Year Ending - June 30, 2025/Continuous Monitoring (Carry Over): This audit has been completed. Please refer to the FY25 Local School Activity Funds Audit Report and FY25 Continuous Monitoring Q3 and Q4 Results.

B. Healthcare Claims Management: The audit has been completed. Please refer to FY26 Healthcare Claims Management Audit Report for details.

C. School and Office Safety: The audit is currently in execution. Here is the final scope of work:

(1) Evaluate FCPS safety and security requirements, including ongoing risk assessments, monitoring, communication, training, and testing, particularly to ensure an appropriate response to safety events, such as an active shooter scenario, (2) Evaluate whether FCPS sites have adequate building security measures and access controls, and (3) Evaluate select sample contracts and review their compliance and accountability, including evaluating vendor compliance with contract terms and conditions.

D. Continuous Monitoring: OAG is currently performing the FY26 Quarter 1 continuous monitoring. It includes site visits at 15 schools and unannounced gate receipt visits at three schools.

E. OAG System of Quality Management/External Peer Review: OAG is scheduled to have a peer review visit the week of January 26-30.

F. Other OAG Duties, Including:

(a) **FY27 Risk Assessment:** OAG has begun conducting the FY27 Risk Assessment including but not limited to (i) benchmarking, (ii) surveys, (iii) interviews, (iv) collecting the financial impacts on topics.

(b) **Fraud, Waste and Abuse Inquiries:** Please refer to OAG Internal Inquiry Updates for details.

(c) **Recommendations Follow-Up:** Audit Recommendation Follow-Up as of October 31 will be presented at January Audit Committee.

(d) **Outreach and Education:** OAG and Office of the Comptroller delivered a training on October 24, with almost 100 employees participated. OAG and Procurement Services will present a three-hour optional training on "Guardians of the Public Trust: Integrity in Procurement and Audit Relationships" on January 9. This is a continuation of our training series, "if you want to go fast, go alone; if you want to go far, go together". In this training, we will address the unique ethical considerations in the procurement process: how do procurement and school system professionals manage relationships with vendors, deal with potential conflicts of interest, and ensure a fair and transparent process when they might know the business owners personally? The auditors serve as the guardians of public funds, including topics like fraud detection, reviewing vendor relationships for potential impropriety, and ensuring that purchasing decisions serve the public interest.

Appendix – Extract from FY26 OAG Risk Assessment and Audit Plan

The following list includes both carried over audits, and new audits, contained in OAG's FY26 Operational Plan. The narratives include background information, risk considerations, and preliminary objectives.

1. Local School Activity Funds for Year ending June 30, 2025

(Carried Over from FY25 Audit Plan)

In accordance with the Code of Virginia (8VAC20-240-40), all Local School Activity Funds (including all the approximate 200 FCPS sites) shall be audited annually no later than the end of the following fiscal year. These audits require verification that local school financials and year-end (June 30) cash reporting are not materially misstated. In addition, OAG reviews selected revenue and expenditure transactions, including purchases made using non-appropriated procurement cards, to ensure that transactions are processed according to the applicable FCPS policies, regulations, or guidance. The final divisionwide report is expected to be presented to the Audit Committee in October 2025.

2. Business Process Audits

These audits will be performed on an ad-hoc basis depending on the results of the Continuous Monitoring; departures or additions in principals, finance technician/finance assistants, or management/staff; or situations as deemed necessary. Areas of potential risk are controls may not be in place or followed, and questionable transactions not timely identified.

The potential objectives of these audits are to: (1) evaluate the effectiveness of school/office processes and compliance with applicable regulations and policies; (2) determine if controls are adequate and functioning as intended; and (3) determine if transactions are reasonable and do not appear to be fraudulent. If applicable, the scope will include targeted review of financial controls, processes, and transactions for the schools' Career Technical and Education fund accounts.

The focus of these audits is primarily on financial transactions, and could include other topics, if necessary.

3. Healthcare Claims Management

Education is a labor-intensive enterprise, and the employee benefits in FY26 include Health Insurance for \$361.8M and Life Insurance for \$20.1M. FCPS offers two medical plans to eligible employees and to retirees not eligible for Medicare: Cigna OAP (Open Access Plan) and Kaiser Permanente HMO (Health Maintenance Organization); and contributes approximately 86 percent of the medical plan cost for employees enrolled in individual plans and 78 percent for employees enrolled in family plans. Aetna Dental is the dental provider for FCPS. FCPS self-insures employee health insurance plans that are managed by third party administrators: Cigna Healthcare and Aetna Dental. The FY25 Approved Budget for Cigna Healthcare and Aetna Dental is \$280.7M.

The potential risks could arise from inadequate oversight on claims processing, leading to over or underpayments, claims fraud and abuse, and lack of transparency in data provided by the third-party administrators. Healthcare claims management is a responsibility of the Office of Benefit Services.

The potential objective of this audit is to evaluate effectiveness and efficiency of the current framework of monitoring healthcare claims by the Office of Benefit Services, including assessing the adequacy of internal controls to ensure third party administrators are adjudicating claims according to terms and conditions.

4. Hourly Employee Structure and Stipends

OAG reviews critical business processes for FCPS to evaluate the strengths and weaknesses and provide recommendations to enhance their efficiency and effectiveness. In FY25, OAG reviewed the hiring critical process under the responsibility of the Department of Human Resources. In FY23, OAG audited the employee evaluation process. In FY26, we will continue reviewing this department's other critical processes.

The mission of the Department of Human Resources is to build, retain, and serve a world-class workforce committed to educational excellence. Having a strong human capital strategy ensures that there are supportive, high functioning systems in place to attract, recruit, mentor, develop, recognize, and retain high performing individuals. The ability to recruit and to retain qualified candidates is critical for FCPS to achieve its mission.

During one FY25 biweekly pay period, there was approximately \$885,000 (\$23M annualized) in payments for hourly employees on the temporary hourly assignment scale. Guidance on the hiring process for hourly positions and the pay band structure falls under the Department of Human Resources and the Department of Financial Services. Hiring of hourly employees is conducted by offices and schools. An area of potential risk is the inconsistent application of the hourly pay bands and inaccurate capturing and approving of employees' time and attendance, performance evaluation and professional development.

The FY25 Approved Budget includes stipends and salary supplements totaling approximately \$28.1M. The Office of Employee Services and Operations (ESO) provides guidance on stipends for athletics and extra-duty supplements, such as stipends for temporary assignments and other miscellaneous stipends. Individuals assigned supplemented positions must sign a separate coaching or extra-duty contract each school year. All blank fields must be completed on the contract. The original contract (signed by the employee and the principal) should be sent to the Office of Salary Services. Areas of potential risk are payment of stipends for reasons not intended or for payments to employees for additional hours work that circumvents time and attendance procedures, which may also increase the risk of non-compliance with overtime requirements.

The potential audit objective is to evaluate whether appropriate controls are in place to ensure hourly structure (including payments) and stipends are properly authorized and utilized across FCPS, effectively, efficiently and equitably. Hourly will include temporary assignments for exempt and nonexempt employees. Stipends will include athletic and academic supplements, stipends for temporary assignments, and other miscellaneous stipends. OAG may include other types of hourly payments or stipends as part of the audit.

5. Local School Activity Funds for Year ending June 30, 2026

Please refer to (1) Local School Activity Funds Audit for Year ending June 30, 2025, for scope of work. The final divisionwide report is expected to be presented to the School Board Audit Committee in October 2026.

6. School and Office Safety

FCPS focuses on meeting the needs of nearly 183,000 students from preschool through 12th grade, while managing 199 schools and centers. Maintaining compliance with safety and security is a critical mission of FCPS and ensuring student safety is FCPS' commitment under Goal #2: "Safe, Supported, Included, and Empowered" of the Strategic Plan 2023-30.

School and office safety falls under the responsibility of the Office of Chief Safety and Security Officer, Special Services – Intervention & Prevention Services, Chief Experience & Engagement Office, and Program Managers. The Office of Safety and Security provides overall guidance, direction, and support to the safety, health, and security programs, including federal (and Commonwealth of Virginia equivalent), Environmental Protection Agency (EPA) and Occupational Safety and Health Administration (OSHA) programs.

In 2023, an external assessment of the security operations of FCPS including physical security features at a sample of FCPS buildings, security policies, safety and security training for school staff and students, security staffing and duties, emergency preparedness and crisis planning and response. OAG will review implementation of the recommended improvements.

The potential objectives of the audit would be to evaluate: (1) FCPS safety and security requirements, including ongoing risk assessments, monitoring, communication, training, and testing, particularly to ensure an appropriate response in the safety events, such as an active shooter scenario; (2) whether FCPS sites have adequate building security measures and access controls [OAG will conduct visits at selected FCPS sites]; and (3) select sample contracts and review their compliance and accountability, including evaluating vendor compliance with contract terms and conditions. In order to make the above evaluations, OAG will identify industry leading practices, FCPS requirements, and review the results from the 2023 external assessment.

7. Specific Contracts, Vendor Management

Office of Procurement Services (OPS) is the central procurement office for FCPS. Departments are tasked with identifying needs, providing inputs during the solicitation and negotiation process, as well as monitoring the performance of the contracts. Areas of potential risk are ineffective procurement practices, including vendor selection and insufficient contract monitoring. In FY25, OAG focused on the procurement process administered by the Office of Procurement Services. The potential audit objective for FY26, would be to evaluate the user department's controls.

OAG selected the Instructional Services Department and Department of Special Services under the Chief Academic Officer, to ensure accountability and monitoring of vendor performance and delivery of goods and services, with the expected outcomes. For goods and services purchased, as of FY24 the current contract value for active contracts was approximately \$273M for the Instructional Services Department and approximately \$56M for the Special Services Department.

8. Continuous Monitoring

Utilizing technology-based audit techniques to analyze patterns and trends, and select and test transactions, these methods will enable our office to better understand risks and identify exceptions in a timely manner. Technology-based resources allow users to import many

records and execute audit specific commands to search for duplicates, detect gaps in numeric sequences, group data by categories, and filter numerous rows and columns of data.

OAG will further pursue continuous monitoring on school based and non-school based financial and non-financial data. OAG will perform unannounced cash counts and e-commerce collection of event fees for school events (e.g., athletics). In FY25, OAG piloted a review of CTE transactions and will further determine incorporating in FY26.

9. OAG System of Quality Management / External Peer Review

OAG will continue to improve the system of quality control and conduct monitoring procedures to ensure a high standard of work is produced within the office and that professional auditing standards are complied with for all audit work. The 2024 revision of the Generally Accepted Government Auditing Standards (GAGAS) is effective for financial audits, attestation engagements, and reviews of financial statements for periods beginning on or after December 15, 2025, and for performance audits beginning on or after December 15, 2025. In FY26 OAG will continue implementing a system of quality management that complies with these requirements.

During FY23, OAG received an external peer review which validated the internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with the Government Auditing Standards. The next external peer review will take place in FY26.

10. Other OAG Duties

In addition to the engagements listed above, OAG will perform the following activities in FY26:

- (1) **Monthly Audit Committee Meetings** – OAG presented our work progress and audit reports to the Audit Committee monthly.
- (2) **FCPS Fraud, Waste and Abuse Inquiry** – OAG administers the FCPS Fraud, Waste, and Abuse hotline and receives inquiry via the hotline, online submission, internalaudit@fcps.edu email account, direct mails, and walk-ins. OAG supports the internal review of the received information, through collaboration mainly with Department of Human Resources and Division Counsel, in accordance with FCPS Regulation 1410.
- (3) **OAG Annual Report** – OAG produces an annual report, which summarizes OAG's mission and charter, accomplishments, and upcoming projects for the School Board. OAG will deliver a comprehensive annual report and provide regular updates to School Board and community (see "OAG Outreach and Education" below).
- (4) **OAG FY27 Risk Assessment** – A formal risk assessment is the primary tool auditors use to establish primary, secondary, and long-term priorities and develop an annual audit plan. The FY27 risk assessment process evaluates each area against a variety of risk factors. The result is a combination of qualitative and quantitative data that assists in the prioritization of audit topics.

Additionally, OAG will explore facilitating regular risk discussions throughout the year with program managers aimed at identifying the most significant risks facing FCPS and monitoring management's mitigation strategies to address those risks.

(5) **OAG Outreach and Education** – In order to increase awareness of OAG’s mission and results for internal and external stakeholders, OAG will continue to publish Audit Buzz; collaborate with School Board members to communicate OAG results through member newsletters and other postings; and provide relevant training and education. OAG is a certified National Association of State Boards of Accountancy (NASBA) Continuing Professional Education (CPE) provider, on behalf of FCPS. FCPS can award employees with education credits required to maintain certification status, such as Certified Public Accountants or Certified Internal Auditors. OAG plans to provide continuous professional training to employees.

(6) **OAG Staff Professional Development** – Government Auditing Standards require that staff performing work under the standards maintain their professional competence through CPE. Staff should complete, every two years, at least 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment in which the audit entity operates. Staff who are involved in any amount of planning, directing, or reporting on assignments, and those who charge 20 percent or more of their time to these assignments should also obtain at least an additional 56 hours of CPE (for a total of 80 hours every two years) to enhance audit professional proficiency. Staff holding professional certifications are required to obtain an average of 40 CPE hours per year to maintain their certification status. All staff must obtain their required CPE for the current calendar year prior to December.

OAG includes staff members who are active holders of these certifications: Certified Public Accountant, Certified Internal Auditor, Certified Fraud Examiner, and Certified Information System Auditor.

(7) **Recommendations Follow-Up** – OAG performs regular follow-ups to determine if timely corrective actions have been put in place to address weaknesses identified during audits. OAG conducts audit recommendation follow-up and reports results to the Audit Committee/School Board on a quarterly basis. If audit recommendations are open for more than three years, OAG will conduct follow-up and report to the Audit Committee/School Board on an annual basis. For audit recommendations open for more than eight years, the audit will be closed.