



Office of Auditor General Fiscal Year 2023 Annual Report

December 2023

Prepared by
Office of Auditor General

8115 Gatehouse Road, Suite 5500
Falls Church, VA 22042



FAIRFAX COUNTY
PUBLIC SCHOOLS

8115 Gatehouse Road
Falls Church, Virginia 22042

December 6, 2023

TRANSMITTAL LETTER

TO: Members of the Fairfax County School Board and Audit Committee

SUBJECT: **Office of Auditor General (OAG) Fiscal Year (FY) 2023 Annual Report**

I am pleased to present the OAG FY 2023 Annual Report, which contains information about OAG's most significant contributions to Fairfax County Public Schools (FCPS) over the past year. We believe our mission, *independently determining whether ongoing processes throughout FCPS are adequately designed, functioning in an efficient and effective manner, and fully accountable to our citizens*, is more relevant and important than ever. That is why we continue to lead by example by informing you every year of 1) OAG value-added services, and 2) the OAG annual plan for the next year. We are proud of our record of promoting accountability and transparency through independent audits and outreach to FCPS employees and the Fairfax community.

Accomplishments and Results

OAG's work falls within four primary areas: (a) Risk Assessment; (b) Internal Audits; (c) Fraud, Waste, and Abuse Hotline; and (d) Outreach and Education. We identified audit topics through a rigorous risk assessment exercise. We completed all FY 2023 approved engagements as of November 2023 including six performance audits, and 11 business process audits (ten schools and the Office of Transportation Services). We evaluated and followed up on 47 inquiries received by the Fraud, Waste and Abuse Hotline, and through other means. We encouraged employees and community members who see something, to say something.

OAG continues to provide Continuing Professional Education (CPE) credits to all FCPS employees. We hosted four accredited trainings where employees earned CPE credits. We also provided regular technical training to school-based administrators and school-based finance staff, to raise awareness of compliance and enhance checks and balances. In total, OAG presentations were attended by almost 900 FCPS staff and stakeholders. Our Audit Buzz newsletter continues to increase its readership and has over 2,500 subscribers as of November 2023. OAG also reached another milestone in FY 2023 when it passed the external peer review conducted by an independent peer review team from the Association of Local Government Auditors.

Looking Forward

OAG continues to accomplish its mission through performance of the FY 2024 Audit Plan. We have also begun our FY 2025 annual risk assessment process which enables OAG to independently assess challenges and risk, while collaborating with School Board and management to identify future audit topics. School Board and Audit Committee members can expect additional information on the results of the risk assessment in spring 2024.

I would like to thank members of the School Board and Audit Committee for their continued support. I am also grateful to Dr. Reid and her leadership team for fostering a collaborative workplace at FCPS that facilitates our accountability work and will over time result in the data-driven continuous improvement we all strive to achieve.

Sincerely,

Esther Ko, CPA, CIA, CFE, CISA
Auditor General

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Fairfax County School Board

The Fairfax County School Board is charged by the statutes of Virginia and the regulations of the Virginia Board of Education to operate the public schools of Fairfax County by setting general school policy and establishing guidelines that will ensure the proper administration of the Fairfax County Public Schools programs.

The School Board established the Office of Auditor General (OAG) to perform independent audit services for Fairfax County Public Schools. In this capacity, OAG conducts audits and other duties in accordance with an annual Audit Plan, as approved by the [School Board](#).



School Board Audit Committee

OAG reports to the Fairfax County School Board through the Audit Committee. The Audit Committee serves to promote, maintain, and enhance the independence and objectivity of the audit function by ensuring broad audit coverage, adequate consideration of audit reports, and appropriate action on recommendations. The Audit Committee is comprised of four School Board members, and two citizen members.

The Audit Committee serves as the Board’s liaison with OAG by: 1) reviewing the annual audit plan prepared by OAG and submitting its recommendation to the School Board for approval; 2) mediating the auditors’ relationship with management; 3) reviewing audit reports and management responses, and reporting to the Board monthly; 4) following up on the implementation of internal audit recommendations; 5) monitoring progress against the approved annual audit plan; 6) acting as a representative for School Board member requests for ad hoc reviews; 7) periodically reviewing audit-related policies for approval by the Board; and 8) assisting the Board with the evaluation of the auditor general in accordance with Human Resources guidelines, policies, and regulations.

The School Board is the final approval authority on the audit plan, the audit budget, and the implementation of any significant recommendations.

FY 2023 Audit Committee Members	
Committee Chair	Laura Jane Cohen (<i>Springfield District</i>)
Committee Members	Karl Frisch (Providence District) Tamara Derenak Kaufax (Franconia District) Abrar Omeish (At Large)
Citizen Members	Dan Warco, Certified Public Accountant (CPA) Jonathan Shames, CPA

Audit Charter

Fairfax County School Board **Policy 1105, Auditor General Authority:**

A. Introduction

The Superintendent and the Leadership Team are responsible for the effective and efficient administration of FCPS. This responsibility includes sound financial management, adequate reporting, maintaining an effective system of internal controls, complying with applicable policies, rules, and regulations, and maintaining the highest standards of ethical conduct. The School Board is responsible for ensuring compliance with laws and regulations, by visitation or other means, and for ensuring efficient operations (Code of Virginia 22.1-79). The School Board directs the Superintendent in these matters by adopting the budget and establishing School Board policy. Together the Superintendent and the School Board are responsible for achieving the school division's mission. To aid them in fulfilling their responsibilities, the School Board has formed an audit committee and has established the Office of Auditor General, whose reporting responsibility is to the School Board through the Audit Committee.

This policy serves as a guide to the Office of Auditor General in the performance of its duties and does not include, nor is it intended to include, all of the office's duties or responsibilities, as they may exist from time to time.

B. Authorization and Responsibilities

The Office of Auditor General shall have unrestricted access to all school division activities, properties, personnel, information, and records which are relevant to the area under review.

It is understood that certain items are confidential in nature and special arrangements will be made by the Office of Auditor General when examining such items. The Office of Auditor General shall be entitled to consult with Division Counsel as needed. The Office of the Auditor General shall report to the full Board as needed.

C. Independence

The Office of Auditor General will maintain a professional and cooperative relationship with the administration of FCPS. However, the office shall be independent of the administration in the performance of its functions.

Independence, in fact and in appearance, permits an internal auditor to render the impartial and unbiased judgments essential to the proper conduct of any internal audit. To assure independence, the office reports to the School Board through its Audit Committee.

Personnel in the Office of Auditor General may have neither direct responsibility for, nor authority over, any of the activities under review. Nothing herein, however, shall prohibit the office from working in an advisory capacity with the Superintendent and staff members in evaluating internal controls in new or existing systems, training staff members in financial controls and audit principles, or directing staff members to other resources within and outside FCPS who can help improve program controls and operations.

D. Organizational Reporting

The Audit Committee serves to promote, maintain, and enhance the independence and objectivity of the internal audit function of the school division by ensuring broad audit coverage, adequate consideration of audit or review reports, and appropriate action on recommendations. The Audit Committee shall approve changes to the approved annual plan. Requests for additional audits from School Board members, the Superintendent, other members of the Leadership Team, and program staff members shall be directed to the Auditor General for referral to the Audit Committee. Requests will be evaluated based on the risks associated with the area and the impact on the current year audit plan. The Auditor General may conduct minor audit assignments as deemed necessary upon notification to the Audit Committee. If, however, the initial assignment would affect the audit work plan, Audit Committee approval would be obtained. Additionally, if the Office of Auditor General is unable to accept the request, efforts will be made to identify

an alternative source, schedule the project at a later time, or include the request as an objective in a routine audit.

The authority to employ or dismiss the Auditor General will rest with the School Board, at the recommendation of the Audit Committee, with support and guidance provided by the Department of Human Resources. The authority to employ or dismiss professional staff within the Office of Auditor General rests with the Auditor General in compliance with then applicable FCPS policies and regulations and with the support and guidance provided by the Department of Human Resources.

E. Audit Standards and Ethics

The Office of Auditor General will carry out its responsibilities in accordance with generally accepted auditing standards.

All work completed by the Office of Auditor General will be conducted in accordance with FCPS policies and regulations.

F. Audit Work Plan

The Auditor General shall submit annually to the Audit Committee a work plan for the coming fiscal year which is to be presented for approval by the School Board. The plan serves as a guide and proposed changes to the plan shall be approved by the Audit Committee.

G. Audit Reports

At the conclusion of each audit, the Auditor General will request the auditee to prepare a written response to the findings and recommendations within 21 business days. The auditee’s written response will become part of the final report and if the response is not received within the required time frame, the Auditor General will note that in the report. The final report will be issued to the Audit Committee and made available on the FCPS website.



OAG Team: from left, Khalid Abudiab, Luke Robertson, Mounia Chehab, Esther Ko, Danielle Moore, Joni White, Bruce Carpel, and Heidi Flanagan (Brittany Hamilton not pictured)

Office of Auditor General

OAG contributes to achieving the mission, goals, and objectives of Fairfax County Public Schools (FCPS) by delivering innovative and objective audit, advisory, investigative, and risk mitigation services that enable FCPS to remain a leader in the field of student development and achievement.

OAG maintains an independent, professional, and cooperative relationship with the administration of FCPS.

<u>OAG Mission</u>	<u>How We Do It</u>
<p>To promote Fairfax County Public Schools' achievement of its strategic goals, OAG's mission is to independently determine whether the ongoing processes for controlling fiscal and administrative operations and performance throughout Fairfax County Public Schools are adequately designed, functioning in an efficient, effective manner, and fully accountable to its citizens of Fairfax County.</p>	<p>OAG provides the following services to FCPS:</p> <ul style="list-style-type: none"> • Annual risk assessment and audit plan • Performance and financial internal audits • <i>Fraud, Waste, and Abuse Hotline</i> management and internal investigation • Outreach and education <p>OAG has eight full-time members and additional hourly audit support to execute our mission: an auditor general, a deputy auditor general, five auditors, and an executive administrative assistant. Our auditors have the following professional credentials: Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE) and Certified Information Systems Auditor (CISA).</p>

OAG Value

During FY 2023, OAG developed performance indicators to compare the cost and benefits of its products and services with those of other large school districts. The chart below provides (a) the results of OAG indicators from FY 2020 to FY 2023, and (b) averages compiled by the Council of Great City Schools for 2022 for the purpose of benchmarking.

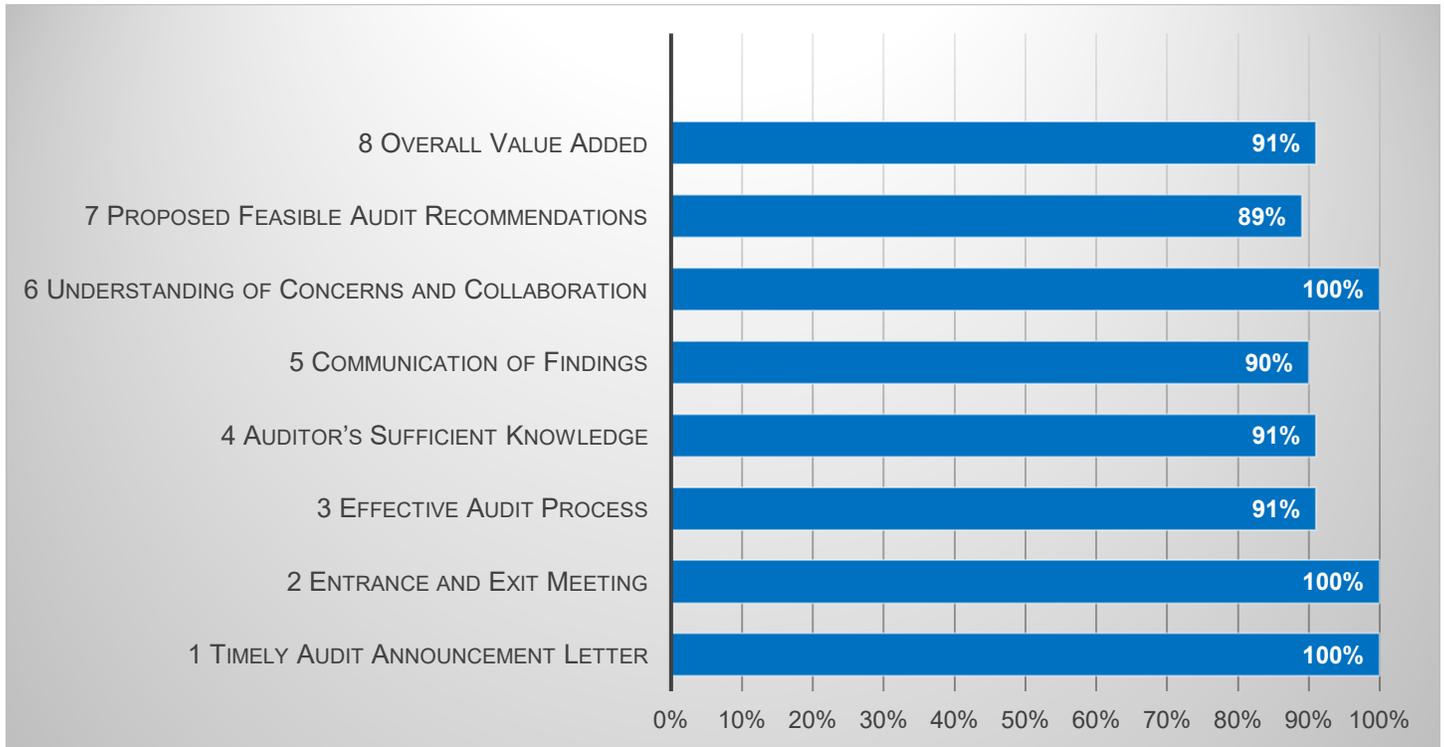
Indicators	OAG				Council of Great City Schools**
	FY 2023	FY 2022	FY 2021	FY 2020	2022
Percent of General (School Operating) Fund Budget Spent on the Audit Function*	0.05%	0.05%	0.05%	0.04%	0.06%
Number of Internal Auditors for Every 1,000 Students Enrolled in a School District*	0.04	0.04	0.04	0.04	0.06
Number of School District Internal Auditors for Every \$100 Million in the General (School Operating) Fund*	0.21	0.21	0.23	0.23	0.45
Percent of Audit Plan Completed	100%	100%	100%	100%	80%
Percent of Recommendations Accepted by Management	100%	100%	100%	100%	98%

* For the first three indicators, the figures are based on FCPS budget documents for FY 2020 – 2023, respectively.

**Amounts are based on self-reported data from 29 school districts, including FCPS OAG (www.cgcs.org).

OAG Survey

OAG received 11 post audit surveys on the FY 2023 audits. The post audit surveys consist of eight questions to determine whether the audit team provided quality service. OAG strives to obtain “yes” responses higher than 90% for each audit. For FY 2023, the overall “yes” responses were 94%.



Other OAG Achievements

Key OAG achievements for FY 2023 include:

- Enhanced the risk assessment process by: incorporating questionnaires to capture additional feedback from stakeholders; analyzing financial related data; and completing the draft audit plan to be ready for approval before June 30. (See [Risk Assessment and Audit Plan](#).)
- Conducted 47 preliminary reviews on all fraud, waste and abuse inquiries received. (See [Fraud, Waste, and Abuse](#).)
- Completed six performance audits and 11 business process audits. (See [Audit Results](#).)
- Conducted follow-up on open audit recommendations in which corrective actions were implemented and closed for 46 audit recommendations. (See [Audit Recommendations Follow-Up](#).)
- Delivered over 20 presentations to almost 900 FCPS personnel and external stakeholders and connected with over 2,500 subscribers. (See [Outreach and Education](#).)
- Passed the external peer review conducted by an independent peer review team which determined that our methods and products comply with generally accepted government auditing standards.
- Ensured all OAG staff met the CPE requirements as required by generally accepted auditing standards and licensure requirements.
- Supported OAG staff to pursue job-related professional credentials.

Risk Assessment and Audit Plan

In conjunction with its audit plan, OAG conducts an annual independent risk assessment in which we identify the most significant financial, operational, and reputational challenges and risks faced by FCPS. OAG uses the results of the risk assessment to develop its annual audit plan. It prioritizes the issues and areas identified by evaluating the materiality of the risks associated with each. The risk factors used to assess each area include:

- Financial impact
- Internal controls and compliance requirements
- Past audit results (or lack of audit coverage)
- Comments received from the School Board, Audit Committee, FCPS leadership, and employees
- Similarity to known risks faced by other public school systems
- Opportunity for and audit to add value

OAG will also consider current management initiatives in determining whether to schedule an audit. If the subject of an audit is in the process of implementing significant changes in operations, either in response to prior concerns or as part of an internal restructuring, OAG will delay the timing of the audit to avoid disruption and allow the changes to take effect.

OAG's FY 2024 Audit Plan was approved by the Fairfax County School Board on July 13, 2023. The detailed plan includes the following engagements and other duties:

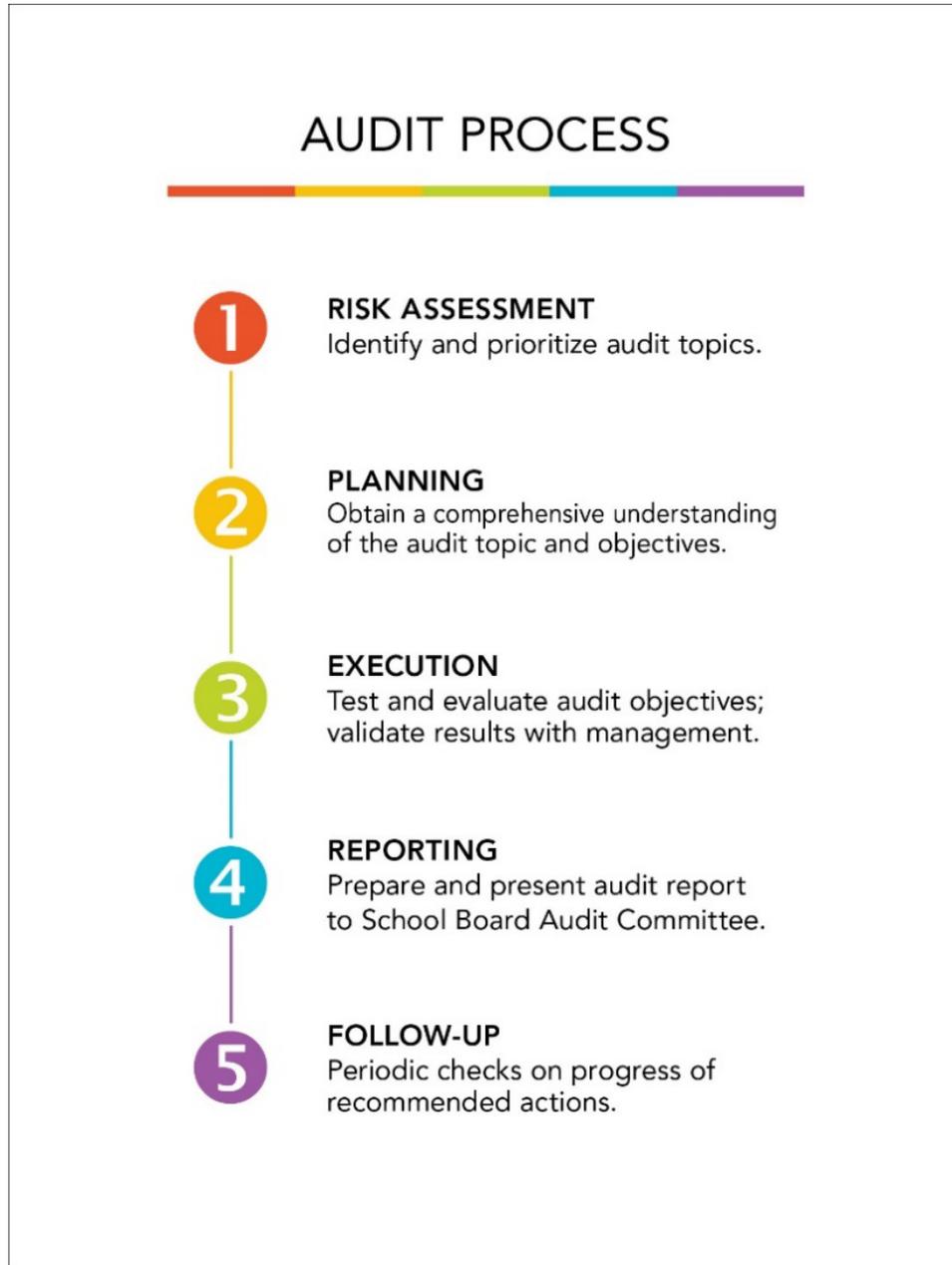
FY 2024 Audit Plan

1. Employee Evaluation Process (*Carried Over from FY 2023 Audit Plan*)
2. Local School Activity Funds for Year ending June 30, 2023 (*Carried Over from FY 2023 Audit Plan*)
3. Facilities Maintenance
4. Food and Nutrition
5. Grants
6. IT Systems Access
7. Local School Activity Funds for Year ending June 30, 2024
8. Continuous Monitoring
9. Business Process Audits
10. Other OAG Duties
 - Audit Committee Meetings
 - Fraud, Waste and Abuse Inquiries
 - OAG Annual Report
 - OAG FY 2025 Risk Assessment
 - OAG Outreach and Education
 - OAG Staff Professional Development
 - OAG Quality Control Monitoring/Peer Review
 - Recommendations Follow-Up

The preliminary objectives and scope for each new engagement can be accessed by viewing OAG's [presentation](#) to the School Board. The full FY 2024 Audit Plan document is available [here](#).

Internal Audit

Audits are performed in phases, beginning with research to obtain an understanding of the areas to be audited. Auditors then test the controls related to the audit objectives and finally issue a report. Later, we follow up to ensure that management has implemented the corrective actions it agreed to. Lines of communication are open throughout the audit process. (Please refer to “Audit Results” section for the FY 2023 Audit Results.)

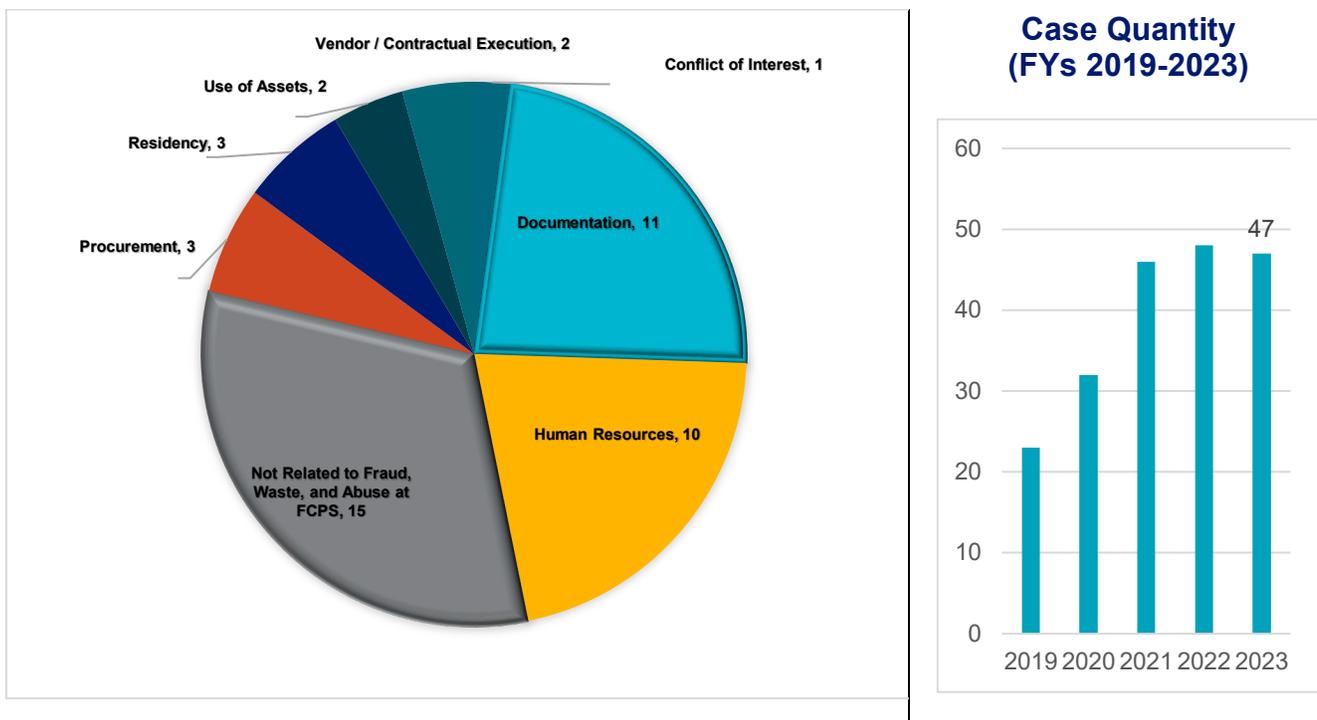


Fraud, Waste, and Abuse

The Auditor General is authorized to receive and preliminarily review (and as necessary, investigate, either directly or in conjunction with internal investigators of the Department of Human Resources) credible reports of suspected waste, fraud, and abuse, where observed or reasonably believed to have occurred, involving any FCPS employee or FCPS assets if such has caused or is likely to cause injury to the school division (Regulation 1410, *Procedures for Reporting and Investigating Embezzlement, Fraud, Waste, or Abuse, and Other Financial Wrongdoing*).

Through the anonymous Waste, Fraud, and Abuse Hotline, OAG provides FCPS employees and the community a confidential means for reporting suspected wrongdoing involving fraud, waste, and abuse of school assets and resources. During FY 2023, OAG received a total of 47 reports to the Hotline, which represents a slight decrease over FY 2022 (48 reports).

Fraud, Waste, and Abuse Hotline Cases



We take all complaints and reports seriously and investigate each according to applicable laws, codes, policies, or regulations.

Fraud, Waste & Abuse Hotline:
(571) 423-1333 (anonymous voicemail)
InternalAudit@fcps.edu (email is not anonymous)
[Online Submission Form](#)

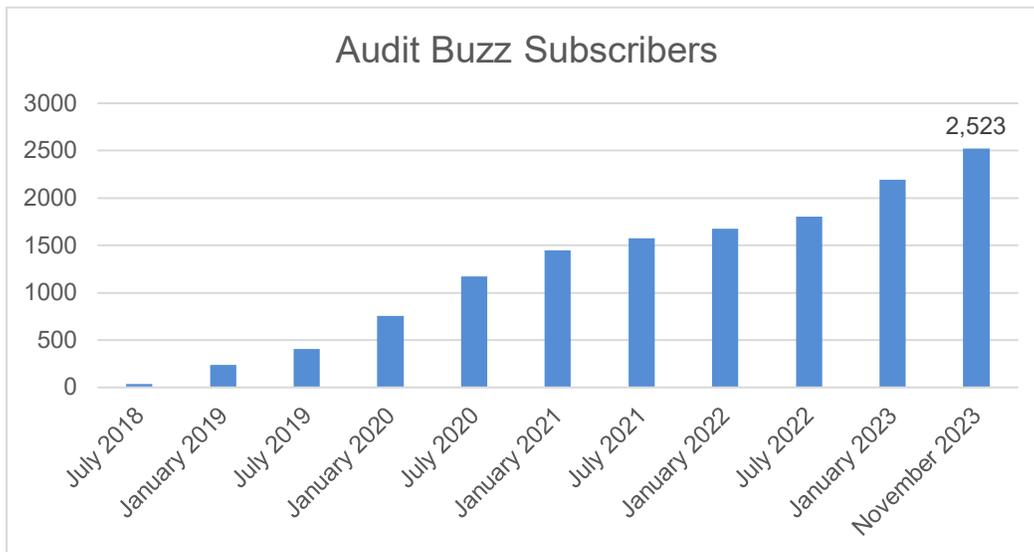
Outreach and Education

OAG continues to provide in-person, virtual, and hybrid training to our employees, some of which provide eligible staff with continuing professional education credit. To increase the awareness of OAG's mission and activities for both internal and external stakeholders, OAG focuses on the following outreach and education initiatives:

Audit Buzz

OAG's newsletter, Audit Buzz highlights the importance of strong internal controls and the role each FCPS employee can play in bringing that about. It has seen sustained growth since it was introduced in the summer of 2018. The target audience for Audit Buzz is both internal and external stakeholders. Our intention is to issue the newsletter monthly except for the months of July and August. OAG also produces a condensed version of Audit Buzz primarily for School Board members, to promote its dissemination with members of the local community and thereby raise its profile.

Audit Buzz registration can be found at FCPS [News You Choose](#).



Annual Report

OAG began producing its annual report in FY 2019. This report includes topics such as OAG's mission and charter, accomplishments, engagement results, and upcoming projects. We will continue to use this platform to report results of our office to both internal and external stakeholders.

OAG Website – (<https://www.fcps.edu/school-board/office-auditor-general>)

Information on OAG's public website includes:

- About OAG
- OAG Audit Process
- Approved Annual Risk Assessment and Audit Plan
- Audit Standards and Ethics
- Communication Updates
- Fraud, Waste, and Abuse Hotline Information

OAG also updates our information on the Employee Hub, which provides latest information and resources (such as training) to FCPS staff.

Training and Education

- OAG conducted a variety of in-person, virtual and hybrid trainings and education sessions to almost 900 FCPS employees, external audit professionals and accounting/audit students from local universities. The major training event last year, was the Procurement to Payment (P2P) conference with over 200 school-based Finance Technicians/Administrative Assistance in attendance.
- During FY 2023, OAG continued to serve as the certified National Association of State Boards of Accountancy (NASBA) Continuing Professional Education (CPE) provider on behalf of FCPS. This means that FCPS can award our employees with education credits required to maintain certification status, such as Certified Public Accountants. Trainings include:
 - Cybersecurity Fundamentals
 - All you need to know about FCPS' Annual Comprehensive Financial Report (ACFR), the annual mandatory external financial and federal grant audits
 - Auditing Standards and the New Yellow Book (*For OAG staff only*)
 - Internal Investigation Overview, with the Focus on Discrimination, Child Abuse, and Fraud Waste or Abuse Related Matters



- For the fourth year, OAG continues to host and facilitate a “DMV Auditor Group”, where approximately 20 auditors from the District of Columbia, Maryland and Virginia local government or school districts convened for quarterly meetings. The DMV Auditor Group provides a vehicle for local audit offices to meet and discuss common challenges and solutions and share our knowledge and experiences.
- During FY 2023, as promulgated by Generally Accepted Government Auditing Standards, OAG obtained an external peer review that was conducted by a peer review team that is independent of the audit organization. The peer review team reviewed OAG’s system of quality control is suitably designed and whether OAG is complying with the quality control system for reasonable assurance that OAG is performing and reporting in conformity with professional standards and applicable legal and regulatory requirements. OAG is happy to [report](#) that we received a rating of pass.

Audit Results

OAG completed the FY 2023 Audit Plan as of November 2023.

Audit	Report Date	Risk Rating			Total Findings	Observations
		H	M	L		
Performance Audits						
Succession Planning and Leadership Development	February 2023	0	1	0	1	0
IT Cybersecurity	June 2023	Results are exempt from disclosure per Virginia Code				
Employee Evaluation Process	September 2023	0	4	0	4	1
Local School Activity Funds for Year ending June 30, 2023	November 2023	0	0	0	0	2*
Continuous Monitoring – Appropriated and Non-Appropriated Transactions	July & November 2023	0	0	0	0	0
Continuous Monitoring – Elementary and Secondary School Emergency Relief (ESSER III)	September 2023	0	0	0	0	1
Performance Audits Subtotal		0	5	0	5	4
Business Process Audits						
Mantua Elementary School	January 2023	0	1	2	3	0
Whitman Middle School	January 2023	0	0	1	1	0
Kings Glen Elementary School	February 2023	0	0	1	1	0
Jackson Middle School	February 2023	1	0	4	5	0
Office of Transportation Services	February 2023	0	0	0	0	0
Annandale High School	May 2023	0	0	2	2	0
Bucknell Elementary School	May 2023	0	0	5	5	0
Herndon Middle School	May 2023	0	0	0	0	0
Justice High School	May 2023	0	2	2	4	0
Mount Vernon High School	May 2023	1	0	2	3	0
Irving Middle School	May 2023	0	1	1	2	0
Business Process Audits Subtotal		2	4	20	26	0

* Out of 203 sites, 107 sites had no noted exceptions; 95 sites had three or fewer noted exceptions; and one site had four exceptions.

H = High; M = Moderate; L = Low;

Additional details for each of the completed audits, as well as a link to the related audit report(s), can be found below.

Succession Planning and Leadership Development Audit

OAG presented the results of the [Succession Planning and Leadership Development audit](#) at the February 22 Audit Committee meeting. The scope of this audit includes an evaluation of FCPS succession plans and leadership development strategies for FY 2022 (July 1, 2021 to June 30, 2022) and FY 2023 (July 2022 and August 2022).

The objectives of the audit were to:

1. Determine whether FCPS has developed and executed a succession plan and leadership development strategy (including considerations of onboarding, on-going development and knowledge management) for coordinators and above and school-based administrators.
2. Determine whether FCPS has analyzed coordinators and above, and school-based administrators' profile and statistics, such as leadership skill gaps.
3. Research and benchmark industry leading practices for succession planning and leadership development and compare concepts with FCPS' current practice.

As a result of this audit, OAG identified one moderate risk finding. OAG reported that FCPS had not developed a formal division-wide succession planning and leadership development plan as well as other related policies and regulations that aligns with industry leading practices. In addition, FCPS has not provided the necessary guidance to school and department leaders to ensure the continuance of operations upon the eventual turnover of coordinators, school-based administrators and above or in key or critical positions.

Having no identifiable division-wide succession plan for critical roles poses the following risks to FCPS:

- Loss of mission critical knowledge that may never be recovered
- Naming an unqualified successor who lacks personal drive, commitment, knowledge, training, or skills needed to perform the job successfully
- Loss of time spent getting a new successor up to speed
- Potential disruptions to workplace processes, workflows, and protocols

Management concurred with the findings and recommendations included in the report. The succession planning and leadership development are critical to mission success and create an effective process for recognizing, developing, and retaining top leadership talent.

IT Cybersecurity Audit

OAG presented the results of the [IT Cybersecurity Audit](#) at the July 11 Audit Committee meeting. This audit covered FCPS IT cybersecurity function and operations from July 1, 2021 through March 31, 2023.

The objectives of this audit were to:

1. Assess the sufficiency in monitoring the security of FCPS' IT network, both schools and non-school based environment
2. Evaluate compliance with applicable FCPS policies and regulations, and their reasonableness and applicability in the current IT environment
3. Determine if the Department of Technology processes are aligned with leading practices to manage network security to protect the information they hold
4. Determine opportunities for employees' awareness of IT security and evaluate the effectiveness

In accordance with Virginia Code Section § 2.2-3705.2(14)(b), Virginia Code Section § 2.2-3711(A)(19), Virginia Code Section § 2.2-3705.2, the results of this audit will not be shared publicly.

Employee Evaluation Process

OAG presented the results of the [Employee Evaluation Process Audit](#) at the October 4 Audit Committee meeting. This audit covered FCPS employee evaluation process for FY 2022 (July 1, 2021, through June 30, 2022) and the first six months for FY 2023 (July 1, 2022, through December 31, 2022).

The objectives of this audit were to:

1. Evaluate the existing employee evaluation process
2. Evaluate how the process is managed at departments, offices, and schools
3. Benchmark existing processes used by other school districts to identify best industry leading employee's evaluation practices.

As a result of this audit, OAG identified four moderate risk findings and one observation. OAG reported that FCPS should update Regulation 4440 "Performance Assessments and Evaluations"; comply with evaluation requirements; enhance user experience of the employee evaluation information system; and monitor the performance and communication of the employee evaluation process. In addition, the one observation recommended FCPS to consider evaluating employees annually.

Management concurred with the findings and recommendations included in the report. The performance assessment process and evaluations are designed to provide all employees with increased opportunity for professional growth and development.

Local School Activity Funds for Year ending June 30, 2023

OAG presented the results of the [Local School Activity Funds \(LSAF\) Audit](#) at the November 1 Audit Committee meeting. This audit focused on the school activity accounts at the 203 sites in the division from July 1, 2022, to June 30, 2023.

The primary objectives of the audit were to:

1. Determine if cash balances are fairly stated
2. Assess compliance with applicable regulations and policies
3. Determine if internal controls are adequate and functioning as intended
4. Determine if transactions are reasonable and do not appear to be fraudulent (completed as part of the continuous monitoring procedures)

As a result of this audit, at the FCPS division wide level, OAG was able to determine that cash balances are fairly stated (**Objective 1**). OAG determined through continuous monitoring that transactions across the division appeared to be reasonable and did not appear to be fraudulent (**Objective 4**).

OAG did not identify any findings in this report but identify one observation related to compliance with applicable policies and regulations (**Objective 2**). Out of the total 203 sites, OAG noted exceptions of noncompliance with FCPS regulations in 96 sites. There were no exceptions noted at the remaining 107 sites. The exceptions noted relate to testing of the three LSAF process areas including Accounting Procedures, Cash Disbursements and Cash Receipts. The exceptions noted did not materially impact the cash balance as of June 30, 2023 or have a material effect on the financial statements for FCPS as a division.

OAG also identified one observation related to cash receipt internal control environment (**Objective 3**).

Continuous Monitoring – Appropriated and Non-Appropriated Transactions

OAG presented the results of the continuous monitoring on the FY 2023 appropriated and non-appropriated transactions at the [July 11](#) and [November 1](#) Audit Committee meetings.

Continuous monitoring procedures are conducted for appropriated and non-appropriated transactions on a quarterly basis. In addition to transaction testing, the process includes selecting a sample of sites that will be subject to additional testing procedures via site visits. The non-appropriated transactions are used to form the basis of transaction testing for the annual LSAF audit and any exceptions are reported as part of the FY 2023 LSAF audit for the year ending June 30, 2023. Any exceptions related to appropriated funds may be analyzed to determine if a Business Process Audit is warranted in FY 2024.

Out of 203 sites, 43 sites had three or fewer exceptions noted; 124 sites had no exceptions noted; and 36 sites did not have any transactions appear in the transaction samples. No notable items of concern were identified.

Continuous Monitoring – Elementary and Secondary School Emergency Relief (ESSER III) Transactions

OAG presented the results of the [third continuous monitoring on ESSER III transactions](#) at the October 4 Audit Committee meeting.

The primary objectives of the continuous monitoring were to:

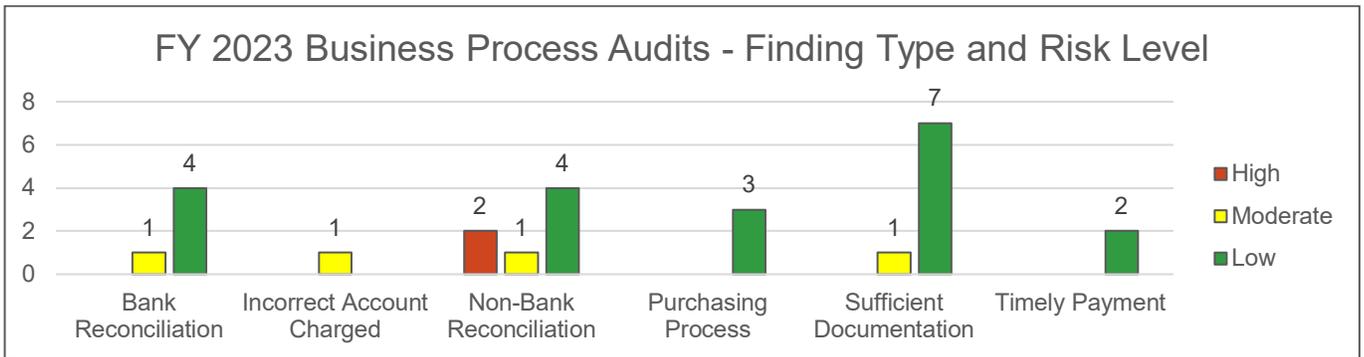
1. Assess compliance with applicable regulations, policies, and grant agreements
2. Determine if internal controls are adequate and functioning as intended
3. Determine if transactions are allowable, do not appear to be fraudulent, and proper supporting documentation is maintained

The continuous monitoring on ESSER III audit included expenditures incurred for the eight-months, from June 1, 2022, through January 31, 2023, totaling \$51,918,348. OAG used auditing software, IDEA, to select a stratified random sample of 50 ESSER III transactions totaling \$994,741 that occurred during the scope period to include payroll transactions, materials and supplies, and contracted services.

As a result, OAG did not identify any reportable findings; however, one observation was noted related to process improvements to validate pay bands and pay rates.

Business Process Audits (BPA)

OAG presented the results of BPAs performed at one office and ten schools to the audit committee throughout the FY 2023 school year. During the performance of these BPAs, OAG identified two high risk, four moderate risk, and 20 low risk findings. The findings were related to timeliness of reconciliations, sufficient documentation, account procedures related to bank reconciliations, and outstanding deposits.



High risk findings are identified when controls are not in place or are inadequate; compliance with legislation and regulations or contractual obligations is inadequate; or important issues are identified that could negatively impact the achievement of FCPS program/operational objectives. Moderate risk findings are identified when 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. Low risk findings are identified when controls are in place, but the level of compliance varies; and compliance with government regulations of FCPS policies and established procedures varies. A management response is obtained for moderate and high risk ratings and follow-up is completed after the implementation date.

Audit Recommendation Follow-up

OAG performs follow-up reviews to determine if timely corrective actions have been put in place to address the findings identified during performance audits. OAG also performs follow-up on moderate or high-risk findings for BPAs.

At the beginning of FY 2023, 37 recommendations from prior year audits remained outstanding. During the year, OAG made 19 new recommendations as a result of audit work performed and reported 49 recommendations closed. As of July 31, 2023, the most recent reporting period, seven recommendations from the current and prior years remained outstanding. The seven outstanding recommendations are related to the following four audits:

- FY 2022 Community Use Audit currently has two outstanding recommendations in which actions are completed and will be reported as closed during the October 31 follow-up.
- FY 2022 IT Asset Management Audit has two outstanding recommendations that are past due but are in progress.
- FY 2023 Succession Planning and Leadership Development Audit has two outstanding recommendations that are not due as of yet.
- FY 2023 Irving Middle School BPA has one recommendation outstanding that is not due yet.

The [July 31, 2023 follow-up report](#) was presented at the October 4 Audit Committee meeting.

Appendix – OAG Links

<u>Risk Assessment and Internal Audit</u>	<u>Fraud, Waste, and Abuse Hotline Reporting</u>	<u>Outreach and Education</u>
<ul style="list-style-type: none"> ▪ Audit Standards ▪ Audit Process ▪ Audit Plan ▪ Audit Reports 	<ul style="list-style-type: none"> ▪ Objective ▪ What is Fraud, Waste and Abuse? ▪ How to Report Fraud, Waste, and Abuse? <ul style="list-style-type: none"> ○ Online Submission Form ▪ What Happens After You Report? <p style="text-align: center;">Anonymous Fraud, Waste, and Abuse Hotline: 571-423-1333</p>	<ul style="list-style-type: none"> ▪ “What is OAG” Video ▪ Fraud, Waste and Abuse Training (For FCPS employees only) ▪ OAG Annual Reports (Search “annual report”) ▪ Audit Buzz

Office of Auditor General

[Mission and Vision Statement](#)

[Independence](#) (Search “independence”)

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