



Office of Auditor General Fiscal Year 2022 Annual Report

December 2022

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 14, 2022

TRANSMITTAL LETTER

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

SUBJECT: **Office of Auditor General (OAG) Fiscal Year 2022 Annual Report**

I am pleased to present the Office of Auditor General (OAG) 2022 Annual Report. 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 becoming more relevant and important. That is why we continue to lead by example by informing you every year of 1) OAG value-added services, and 2) OAG plan in the next year. As described in this report, we are proud of our record of promoting accountability and transparency through independent audits and outreach to FCPS employees and the Fairfax community. More importantly, we have reasons to be confident of achieving our mission and providing value to FCPS in the face of increasing challenges ahead.

Accomplishments and Results

Most of 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 2022 approved engagements as of December 2022 including five performance audits, a non-audit service (OAG served as project liaison over the Comprehensive Special Education Services' review), and 12 business process audits (11 schools and Department of Human Resources). We evaluated and followed up on 48 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 employees. We hosted three 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 1,000 FCPS staff and stakeholders. Our Audit Buzz newsletter continues to increase its readership and has over 1,700 subscribers as of June 2022.

Looking Forward

OAG continues to accomplish its mission through performance of the FY 2023 Audit Plan. We have also begun our FY 2024 annual risk assessment process which enables OAG to independently assess challenges and risk, while collaborating with 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 2023.

I would like to thank members of the Fairfax County School Board and Audit Committee for their continued support, as well as the FCPS Superintendent and her Leadership Team for fostering a collaborative work environment that promotes achievement of its strategic goals, particularly in the area of resource stewardship.

Sincerely,

Esther Ko, CPA, CIA, CFE
Auditor General

Contents

Fairfax County School Board	1
School Board Audit Committee	1
Audit Charter	2
Office of Auditor General	4
Risk Assessment and Audit Plan	6
Internal Audit.....	7
Fraud, Waste, and Abuse	8
Outreach and Education	9
Audit Results	11
Community Use Audit	11
IT Technology Platform Implementation and Hardware Acquisition and Management Audit	12
Legal Audit.....	12
Local School Activity Funds for Year ending June 30, 2022	13
Business Process Audits (BPA)	14
Audit Recommendation Follow-up.....	15
Non-Audit Service.....	16
Comprehensive Program Review of FCPS' Special Education Services	16
Appendix – OAG Links	17

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 2022 Audit Committee Members	
Committee Chair	Tamara Derenak Kaufax (<i>Franconia District</i>)
Committee Members	Karen Keys-Gamarra (<i>At Large</i>) Elaine Tholen (<i>Dranesville District</i>) Rachna Sizemore Heizer (<i>At Large</i>)
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 many 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>
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>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 hourly auditor(s) to execute our mission: an auditor general, a deputy auditor general, five auditors, and an executive administrative assistant. OAG also leverages upon hourly auditor support. Our auditors include CPA, Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE) and Certified Information Systems Auditor (CISA).</p>

OAG Value

During FY 2022, OAG developed indicators to measure the efficiency of its operations and OAG impact throughout FCPS compared with those of other large school districts. The chart below provides (a) the results of OAG indicators from FY 2019 to FY 2022, and (b) benchmarking averages compiled by the Council of Great City Schools for 2022.

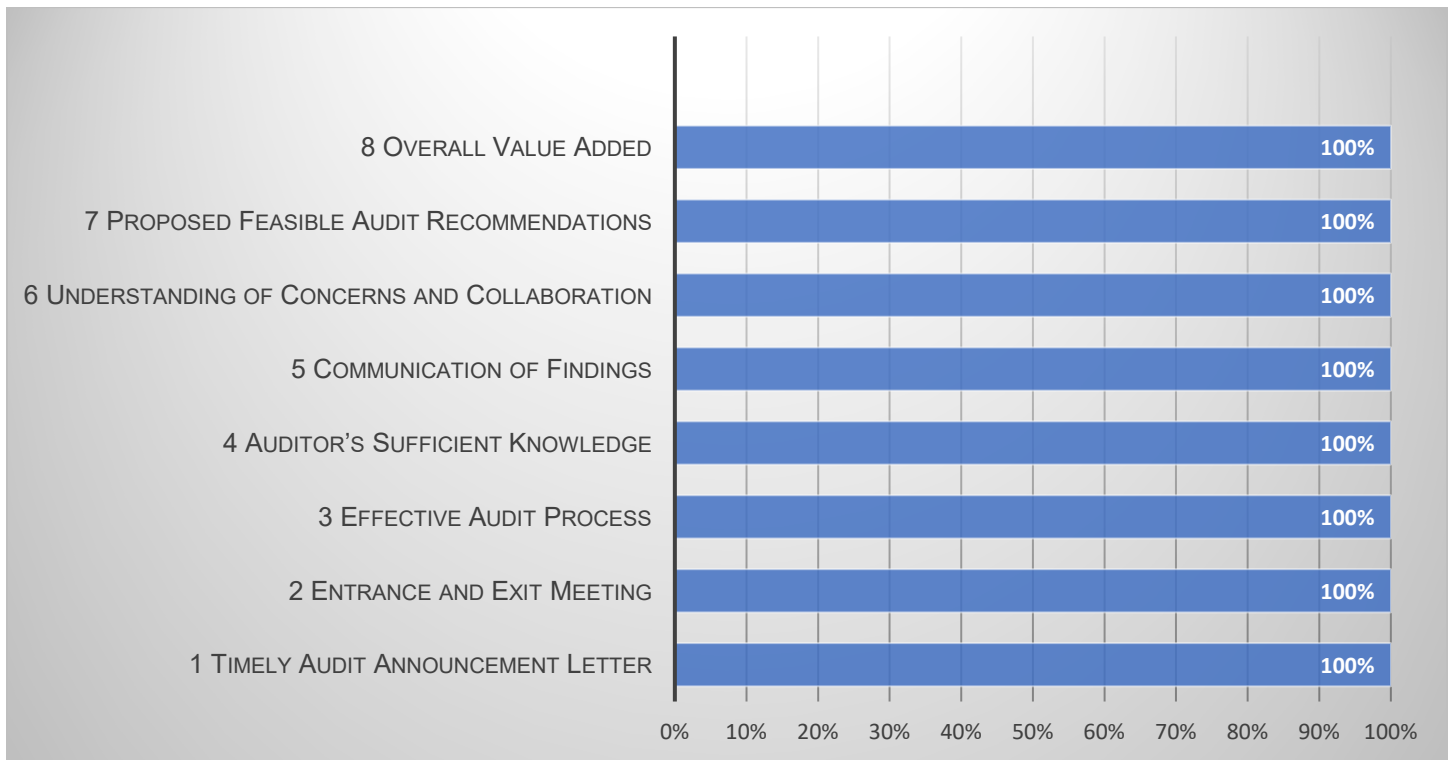
Indicators	OAG				Council of Great City Schools**
	FY 2022	FY 2021	FY 2020	FY 2019	2022
Percent of General (School Operating) Fund Budget Spent on the Audit Function*	0.05%	0.05%	0.04%	0.04%	0.06%
Number of Internal Auditors for Every 1,000 Students Enrolled in a School District*	0.04	0.04	0.04	0.04	0.06
Number of School District Internal Auditors for Every \$100 Million in the General (School Operating) Fund*	0.21	0.23	0.23	0.25	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 2019 – 2022, respectively.

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

OAG Survey

OAG received 10 post audit surveys on the FY 2022 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 2022, the overall “yes” responses were 100%.



Other OAG Achievements

Key OAG achievements for FY 2022 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 30th. (See [Risk Assessment and Audit Plan](#).)
- Conducted preliminary reviews on all fraud, waste and abuse inquiries received. (See [Fraud, Waste, and Abuse](#).)
- Completed five performance audits and 12 business process audits. (See [Audit Results](#).)
- Conducted follow-up on open audit recommendations in which corrective actions were implemented and closed for 12 audit recommendations. (See [Audit Recommendations Follow-Up](#).)
- Engaged and facilitated a consultant to conduct a two-year, independent, third-party review of FCPS' special education program. (See [Non-Audit Service](#).)
- Delivered over 20 presentations to almost 1,000 FCPS personnel and external stakeholders and connected with over 1,700 subscribers through the 10 issues of Audit Buzz. (See [Outreach and Education](#).)
- 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. The risk assessment and annual audit plan prioritize areas by evaluating the materiality of the risks associated with each area. The risk factors used to assess each area include:

- Financial impact
- Potential operational risks driven by:
 - Internal controls and compliance requirements
 - Past audits
 - Comments received from the School Board, Audit Committee, FCPS leadership, and employees
 - Relevant risks faced by other public school systems
- Opportunity for improvement

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 2023 Audit Plan was approved by the Fairfax County School Board on July 14, 2022. The detailed plan includes the following engagements and other duties:

FY 2023 Audit Plan

1. IT Technology Platform Implementation and Hardware Acquisition and Management Audit (*Carried Over from FY 2022 Audit Plan*)
2. Legal Audit (*Carried Over from FY 2022 Audit Plan*)
3. Local School Activity Funds for Year ending June 30, 2022 (*Carried Over from FY 2022 Audit Plan*)
4. Comprehensive Program Review of FCPS' Special Education Services, Year 2 (*Non-audit service*)
5. Employee Evaluation Process Audit (*postponed from FY22*)
6. Continuous Monitoring, including ESSER III expenditures
7. IT Cybersecurity Audit
8. Local School Activity Funds Audit, June 30, 2023
9. Succession Planning and Leadership Development
10. Other OAG Duties
 - Audit Committee Meetings
 - Business Process Audits
 - Fraud, Waste and Abuse Inquiries
 - OAG Annual Report
 - Outreach and Education Initiatives
 - OAG Staff Professional Development
 - Preparation for FY 2024 Risk Assessment
 - 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 2023 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 2022 Audit Results.)

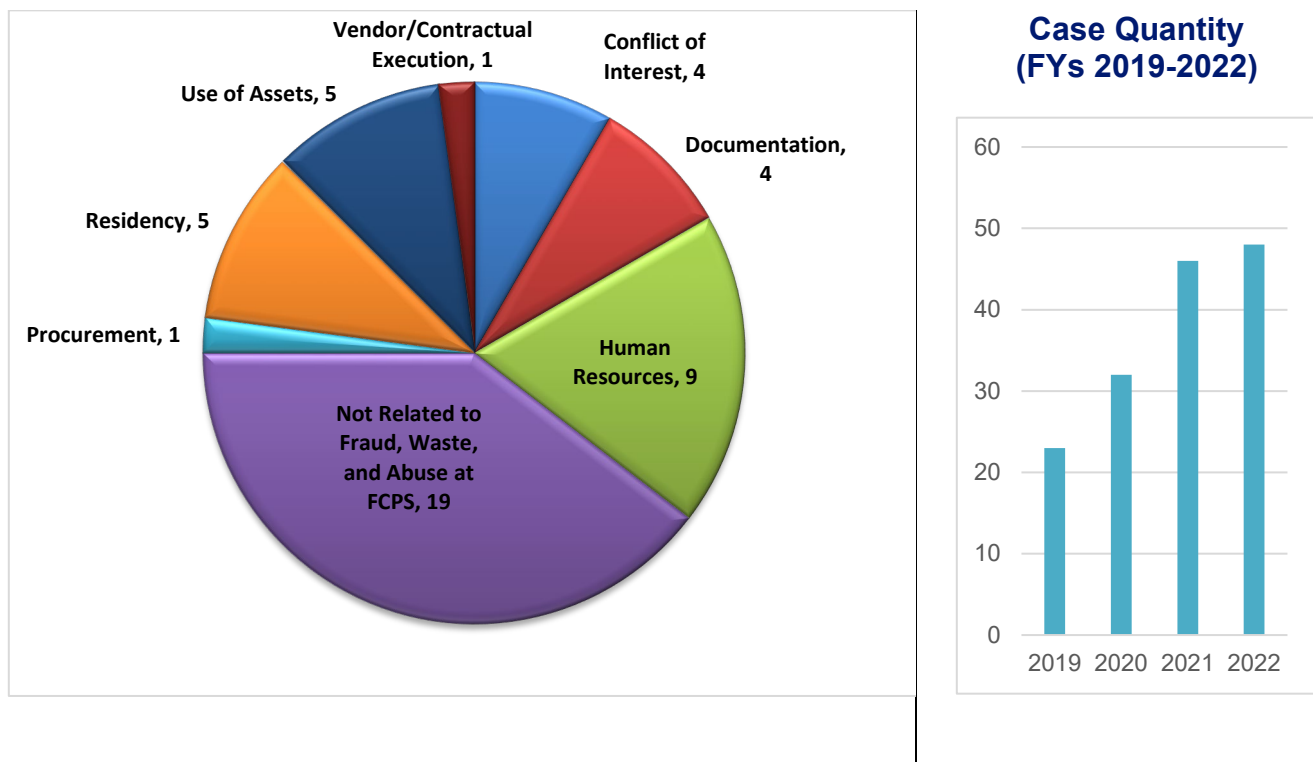


Fraud, Waste, and Abuse

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 2022, OAG received a total of 48 reports to the Hotline, which represents a slight increase over FY 2021 (46 reports).

Fraud, Waste, and Abuse Hotline Cases



We take all complaints and reports seriously and will make every effort to investigate the reports according to applicable laws, codes, policies, or regulations. You can assist us in our review by providing as much information as possible.

You are encouraged to leave your contact information to enable us to gather or clarify information as needed. If you choose to remain anonymous, please provide thorough and detailed information to enable a review of your complaint.

Fraud, Waste & Abuse Hotline:

(571) 423-1333 (anonymous voicemail)

InternalAudit@fcps.edu (email is not anonymous)

[Online Submission Form](#)

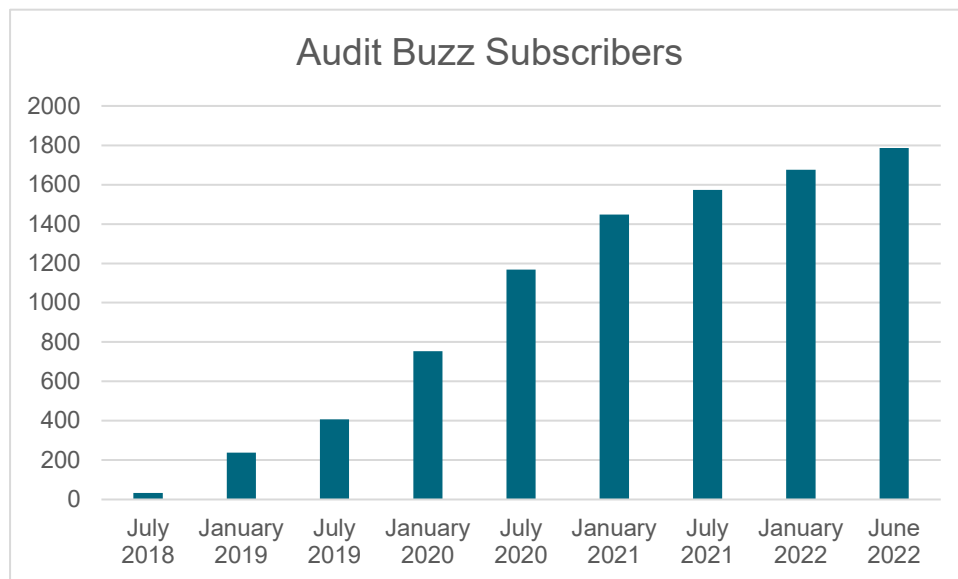
Outreach and Education

OAG continues to provide in-person, virtual, and hybrid training to our employees. 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 plays an important role in highlighting the importance of good governance and strong internal controls within FCPS. 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 on a monthly basis except for the months of July and August. OAG also produces a condensed version of Audit Buzz primarily for School Board members, in order to promote its dissemination with members of the local education 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 with 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 1,000 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 almost 200 school-based Finance Technicians/Administrative Assistance in attendance.
- During FY 2022, 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:
 - Auditing Standards and the New Yellow Book
 - Procurement – Begin with the End in Mind
 - Ethical Intelligence and the Green Book



- For the third 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 2022, the Auditor General served as the peer review lead (i.e. auditing the auditors) at (a) City of Richmond Office of City Auditor, (b) Miami-Dade Public Schools and (c) Milwaukee Public Schools audit functions. These three peer reviews were conducted according to the Government Auditing Standards.

Audit Results

OAG completed the FY 2022 Audit Plan as of December 2022.

Audit	Report Date	Risk Rating			Total Findings	Observations
		H	M	L		
Performance Audits						
Community Use	February 2022	0	8	0	8	0
IT Technology Platform Implementation and Hardware Acquisition and Management	September 2022	0	1	4	5	0
Legal	December 2022	0	3	0	3	0
Local School Activity Funds for Year ending June 30, 2022	December 2022	0	0	0	0	1*
Continuous Monitoring Elementary and Secondary School Emergency Relief (ESSER III) Transactions	May & December 2022	0	0	0	0	3
Performance Audits Subtotal		0	12	4	16	4
Business Process Audits						
Spring Hill Elementary School	April 2022	0	0	2	2	0
Westbriar Elementary School	April 2022	0	0	4	4	0
Oakton High School	April 2022	0	0	3	3	0
Madison High School	February 2022	0	1	1	2	0
Justice High School	April 2022	1	5	0	6	0
Annandale High School	April 2022	0	2	1	3	0
Key Middle School	April 2022	0	0	2	2	0
Bucknell Elementary School	June 2022	2	1	1	4	0
Hughes Middle School	April 2022	0	1	1	2	0
Lake Braddock Secondary School	April 2022	0	0	0	0	0
South County Middle School	April 2022	0	0	1	1	0
Human Resources	June 2022	0	1	2	3	0
Business Process Audits Subtotal		3	11	18	32	0

* Out of the 204 sites, 135 sites had no exceptions noted; 68 sites had three or fewer exceptions, and one site had five 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.

Community Use Audit

OAG presented the results of the Community Use audit at the March 16, 2022 Audit Committee meeting. The scope of this audit includes an evaluation of community use operations from FY 2020 and FY 2021 to capture operating results from both the pre-COVID and pandemic periods.

The objectives of the audit were:

- To evaluate the applicable FCPS policies, regulations, internal controls and processes for the use of FCPS facilities, including the safety aspect.
- To evaluate if community groups complied with the contracts or memorandum signed with FCPS, including SACC.
- To evaluate if the fee structure takes into consideration the cost associated with the use of FCPS facilities by community groups.
- To benchmark community use processes in other school districts to identify any areas for improvement.

As a result of this audit, OAG identified eight moderate risk findings. Management concurred with the findings and recommendations included in the report.

Click [here](#) to read the Community Use audit report.

IT Technology Platform Implementation and Hardware Acquisition and Management Audit

OAG presented the results of the IT Technology Platform Implementation and Hardware Acquisition and Management audit at the October 12, 2022 Audit Committee meeting. The audit covered Fairfax County Public Schools (FCPS) IT assets management and project management processes from FY19 through the first half of FY22 (December 31, 2021).

The objectives of this audit were to:

1. Identify and review the decision process for IT hardware purchases;
2. Review and evaluate the controls established for the distribution of physical IT assets (such as laptops, MiFi devices);
3. Determine if there are adequate controls to properly track the assets; and
4. Evaluate the project management process in Department of Information Technology (DIT) associated with the technology platform implementation, i.e. whether the process is clearly defined and the critical project management components are documented. These include the establishment of appropriate goals and objectives, budget and resources, and the identification of key performance indicators and other information useful to management.

Overall, DIT decision strategy and tactics for acquiring IT hardware, internal controls over the distribution and tracking of IT assets, and IT project management processes are deemed adequate. As a result of this audit, OAG identified one moderate risk finding and four low risk findings. DIT concurred with the findings and recommendations included in the report.

Click [here](#) to read the IT Technology Platform Implementation and Hardware Acquisition and Management audit report.

Legal Audit

OAG presented the results of the Legal audit in consultation with an independent external counsel, Harrell & Chambliss LLP at the December 14, 2022 Audit Committee meeting.

The audit objectives and the relevant scope period are listed below:

1. Examine the Fairfax County Public Schools' (FCPS) ODC processes and controls when external legal counsel is engaged, specifically regarding (a) types of matters, (b) review and payment of the external legal counsel invoices, and (c) School Board oversight.

The scope period for the review of the processes and controls for this objective is June 1, 2020, through December 31, 2021.

2. Evaluate, on a sampling basis, if there are any indicators of fraud, waste and abuse (in accordance with the definition of School Board Policy 1107 "Fraud, Waste, and Abuse") involved in the types of matters handled by the external legal counsel.

The scope period for the review of external counsel invoices for this objective is June 1, 2020, through December 31, 2021.

3. Identify if there are any gaps in the FOIA process regarding request(s) of external legal counsel invoices.

The scope period for the review of FOIA requests for external legal counsel invoices is November 2021 through December 2021 to evaluate the adequacy of corrective actions implemented by ODC and the FOIA Office.

OAG identified three moderate risk findings related to processes and controls when legal counsel is engaged. OAG did not identify any indicators of fraud, waste and abuse related to external counsel invoices and did not identify any gaps in the FOIA request process for external counsel invoices since corrective actions were implemented. ODC concurred with the findings and recommendations.

Click [here](#) to read the Legal audit report.

Local School Activity Funds for Year ending June 30, 2022

OAG presented the results of the Local School Activity Funds (LSAF) audit at the December 14, 2022 Audit Committee meeting. This audit focused on the school activity accounts at the 204 sites in the division from July 1, 2021 to June 30, 2022.

The primary objectives of the audit were to perform the following:

1. To determine if cash balances are fairly stated
2. To assess compliance with applicable regulations and policies
3. To determine if internal controls are adequate and functioning as intended
4. To 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 and internal controls are adequate and functioning as intended. OAG determined through continuous monitoring that transactions across the division appeared to be reasonable and did not appear to be fraudulent.

OAG did not identify any findings in this report but identify one observation related to compliance with applicable policies and regulations. This observation encompasses the exceptions that were noted at the site level in which OAG found that 135 sites had no noted exceptions; 68 sites had three or fewer noted exceptions; and one site had five noted exceptions.

OAG noted exceptions of noncompliance with FCPS policies and regulations in 69 out of 204 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, 2022 or have a material effect on the financial statements for FCPS as a division.

Click [here](#) to read the LSAF audit report.

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

OAG completed two continuous monitoring on ESSER III transactions in accordance with the FY 2022 and FY 2023 OAG Audit Plans.

The primary objectives of the continuous monitoring were to: 1) assess compliance with applicable regulations and policies; 2) determine if internal controls are adequate and functioning as intended; and 3) determine if transactions are reasonable and do not appear to be fraudulent.

The audit included expenditures incurred for the seven-month period from July 1, 2021 to January 31, 2022, totaling \$3,109,924; and three-month period from February 1 to April 30, 2022, totaling \$30,195,450. OAG used auditing software, IDEA, to select a stratified random sample of 50 ESSER III transactions totaling \$419,414, and 70 transactions, totaling \$2,204,174, respectively, that occurred during the scope period to include payroll transactions, materials and supplies, and contracted services.

As a result, OAG identified three observations during the first continuous monitoring, related to (1) pay bands of hourly instructional assistants, (2) accuracy of supporting documentation, and (3) central location of supporting documentation. Follow-up was conducted during the second continuous monitoring to ensure that these observations were rectified. OAG did not identify any observations in the second continuous monitoring.

Click [here](#) to read the first continuous monitoring ESSER III transactions memorandum. Click [here](#) to read the second continuous monitoring memorandum.

OAG also performed other types of continuous monitoring during this reporting period. Continuous monitoring procedures are being conducted quarterly to form the basis of transaction testing for the [LSAF audit](#). In addition, the process includes school visits to selected sites. Out of 204 sites, 163 sites had no exceptions noted; 39 sites had three or fewer exceptions; two sites had four exceptions. No notable items of concern were identified.

Click [here](#) to read the Quarter 3 and Quarter 4 continuous monitoring memorandum. Click [here](#) to read the Quarter 1 and click [here](#) to read the Quarter 2 continuous monitoring memorandums.

Business Process Audits (BPA)

OAG presented the results of BPAs performed at Human Resources and 11 schools to the audit committee throughout the FY 2022 school year. During the performance of these BPAs, OAG identified 18 low risk findings, 11 moderate risk findings, and three high risk findings. The findings were related to timeliness of reconciliations and outstanding checks, 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.

Links to view the BPA reports can be found on OAG's public website [here](#).

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 2022, 40 recommendations from prior year audits remained outstanding. During the year, OAG made 29 new recommendations as a result of audit work performed, and reported 45 recommendations closed. As of July 31, 2022, the most recent reporting period, 24 recommendations from the current and prior years remained outstanding. The 24 outstanding recommendations are related to the following three audits:

- FY 2018 Facilities Maintenance Audit has three outstanding recommendations that are budget and resource dependent and have been open more than three years.
- FY 2021 Hiring and Onboarding Practices Audit currently has seven outstanding recommendations that are now past due but are in process.
- FY 2022 Community Use Audit currently has 14 outstanding recommendations that are in process with actions that are not due as of yet.

The July 31, 2022 follow-up report, presented at the November 2022 Audit Committee meeting, can be found [here](#).

Non-Audit Service

Comprehensive Program Review of FCPS' Special Education Services

As part of the approved FY 2022 OAG Work Plan, OAG facilitated a comprehensive program review of FCPS' special education program.

In October 2020, OAG engaged a consultant to conduct a two-year, independent, third-party review of FCPS' special education program at the request of the School Board. The consultant, American Institutes for Research® (AIR), presented their [final report](#) during the School Board's October 4, 2022 work session.

AIR praised FCPS for a) strong infrastructure to provide leadership, guidance, and resources about special education instruction and services, b) detailed documentation of processes and guidance, c) high levels of compliance with federal and state special education regulations, d) robust professional development, and e) many instances of positive feedback about FCPS staff. While a number of positive areas were identified in the report, areas for improvement were also noted. Key findings include:

- **Data-Driven IEP Development:** FCPS needs standardized processes and guidance to help staff develop Individualized Education Programs (IEPs) that are based on data, encourage the collaboration and input of families, and include meaningful methods of reporting progress.
- **Multi-Tiered Systems of Support (MTSS):** FCPS should ensure that all schools implement MTSS in academics and behavior while clarifying relationships among MTSS, local screening, and special education.
- **Instructional Supports and Resources:** FCPS should prioritize equity and consistency in school-level programming with a focus on high-quality instruction in inclusive settings.
- **Staff Supports and Resources:** FCPS can improve staff retention efforts by ensuring manageability of caseloads, class sizes, and workloads, and improve personnel recruitment efforts by providing detailed information for prospective special education employees.
- **Professional Learning Systems:** FCPS needs a comprehensive, division-wide professional development plan with differentiated offerings by staff role.
- **Communications and Stakeholder Engagement:** FCPS needs to establish consistent procedures for communication at the division level and between schools, families, and staff, with a focus on ensuring equitable access to translation services and improved understanding of the process.

[Watch the video](#) of AIR's presentation and [visit FCPS' Office of Auditor General webpage for more information](#).

Appendix – OAG Links

<p><u>Risk Assessment and Internal Audit</u></p> <ul style="list-style-type: none"> ▪ Audit Standards ▪ Audit Process ▪ Audit Plan ▪ Audit Reports 	<p><u>Fraud, Waste, and Abuse Hotline Reporting</u></p> <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>Anonymous Fraud, Waste, and Abuse Hotline: 571-423-1333</p>	<p><u>Outreach and Education</u></p> <ul style="list-style-type: none"> ▪ “What is OAG” Video ▪ OAG Annual Reports (Search “annual report”) ▪ Audit Buzz
<p style="text-align: center;"><u>Office of Auditor General</u></p> <p style="text-align: center;">Mission and Vision Statement</p> <p style="text-align: center;">Independence (Search “independence”)</p> <p style="text-align: center;">Contact Information:</p> <p style="text-align: center;">Telephone: 571-423-1320 Email: internalaudit@fcps.edu</p> <p style="text-align: center;">Esther Ko, Auditor General Email: yko@fcps.edu</p> <p style="text-align: center;">Danielle Moore, Deputy Auditor General Email: dmmore1@fcps.edu</p>		