



Arlington
Public
Schools

APS Internal Audit
Department

Annual Audit Report

June 21, 2018

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Director, Internal Audit



- **Overview of Internal Audit at APS**
- **FY 2018 Audits**



Overview – Internal Audit

- Provide **operational, financial, and compliance audit services** to APS
- **Advisor and resource to school leadership and School Board** on policy, internal controls and best practices in fiscal and business operations
- **Annual audit plan approved by School Board**



FY 2018 Audits

- Medicaid reimbursement for school based services
- Sale of APS Assets
- Facility Rentals
- APS Devices Assigned to Students
- Construction Cost Study for APS



Medicaid reimbursement

APS approach to Medicaid reimbursement is conservative.

- Physical therapy, occupational therapy and speech pathology successfully tracked for reimbursement since FY17.
- Proof of parental consent is required prior to Medicaid billing.
- Parental approval for release of student information for Medicaid billing is at 54.6%; efforts are ongoing to increase this percentage as it directly affects reimbursement dollars.
- Other services may be considered for future reimbursement.



Conclusion:

Medicaid reimbursement process is proceeding with a thoughtful, controlled process.

- \$253,664 total reimbursements were received for FY17 as of February 4, 2018.
- With the timely filing of the FY17 Medicaid Cost Report, additional reimbursement of \$324,523 is expected by June 2018.



Reviewed asset disposals at APS, both those that produced revenue as well as those for which APS incurred a disposal fee.

Reviewed controls over the periodic sale of APS assets as recorded on Public Surplus APS Sold and Paid Report (March 2016 to June 2017):

- Furniture and fixtures
- IT equipment
- Vehicles sold after repair by the Career Center



Conclusion:

APS has systems in place to transfer surplus items among locations to where there is a need.

Remaining items with value not needed elsewhere within APS are sold at public auction.

- School furniture and fixtures were sold totaling \$6,222 during FY17.
- IT equipment consisting of two lots of Dell laptop computers, no longer used at APS, were sold totaling \$61,008 during FY17.



Goals for review of **use APS facilities by non-APS users:**

- Review space allocation by priority order and fee assessment by category of use.
- Review for all expenses incurred to set-up, support, clean-up and maintain facilities used after each event.

Background:

APS encourages and allows the use of school buildings and grounds by the community for educational, recreational, civic, and cultural activities to the extent possible under the law.



No fees as long as event sponsor is one of the following:

- APS student organizations.
- Non-profit groups in support of the mission of APS, including Parent Teacher Associations (PTA), Parent Teacher Organizations (PTO) and Booster Clubs.
- Arlington County Government programs
- Student groups composed of Arlington County residents
- Groups sponsored by non-profit organizations that foster student interest in political, community service, social, recreational, or educational activities.
- Arlington County Civic Federation member organizations.



Other groups pay a percentage according to organization type:

- Arlington non-profit groups, to include political events held by such groups. (25%)
- Non-profit colleges and universities and other non-profit educational groups. (25%)
- Non-Arlington, non-profit groups, to include political events held by such groups (50%)
- Commercial groups serving the youth of Arlington (50%)
- All other groups and organizations. (100%)



Cost per person at maximum capacity for 4 hours was selected as a basis for comparison.

APS facility rental rates were compared to rental rates at other venues, including:

- Waterford in Fairfax County;
- Regal Theatre – Ballston;
- AMA Executive Conference Center in Arlington;
- Municipal and school facilities in Loudoun County, City of Alexandria and Fairfax County.



Observation:

- Current APS fees fall short of covering actual expense of providing space, utilities, staffing and upkeep of facilities.
- As a result, operating funds that could be used for the APS educational mission pay for unreimbursed rental expenses.

Suggestion:

- Update fee structure to more closely align rental fees assessed to total expenses that APS incurs for maintaining each space.



Observation:

- APS custodial allocation formula is currently based on square footage.
- Additional maintenance required by increased rental use is not accurately reflected in formula based on square footage without full consideration of the multiple times portions of the square footage are used and re-used each week.

Suggestion:

- Explore a custodial staffing formula based on actual hours of use, including both APS and non-APS uses.
- Explore improved assignment of resources required to prepare space for school use after each event and to allow for refurbishment of space.



APS Devices Assigned to Students

Reviewed controls over student instructional devices and devices and equipment assigned to students under an Individualized Education Program (IEP) or 504:

- 22,301 student instructional devices in FY18
 - iPad Air is assigned to each elementary student at grade 2 and middle school student at grade 6.
 - MacBook Air is assigned to each high school student at grade 9.
- Assignments to students under an IEP/504 as of March 5, 2018:
 - 1436 pieces of equipment,
 - 116 iPads,
 - 130 applications,
 - 69 software items.



APS Devices Assigned to Students

Conclusion: APS has set up an effective system of controls for all student instructional devices as well as APS assistive devices.

Controls provide a perpetual record throughout each device life cycle:

- purchase & receipt by APS,
- recording in APS inventory,
- assignment to student,
- return to APS for maintenance and repairs, and
- return to APS when student no longer needs device or leaves APS.



APS Devices Assigned to Students

Updates to *Electronic Technologies Acceptable Use Policy Implementation Procedures* at the May 18, 2018 School Board meeting:

Maintenance and Loss:

- APS is responsible for the routine maintenance or standard repairs to school-issued devices.
- Users are responsible for any loss or damage not covered by APS provided insurance, or caused by intentional or negligent acts.
- Damage incidents will be investigated by school administration and technology staff. If damage is beyond normal wear and tear, the student may be asked to pay for damages.



APS Devices Assigned to Students

Repairs and Replacement:

- Equipment repairs on student devices were \$178,316 for FY17 and \$153,402 for FY18 through 5-15-18.
- Total annual cost of replacement devices and repairs is less than 2% of total inventory value of \$10,000,000.
- FY19 School Board budget included new revenues for an amount to be determined from fees for lost or damaged devices, caused by intentional or negligent acts.



Comparison of New Construction Costs

- O'Connor Construction Mgmt. Inc. was selected to provide independent comparison of APS new construction costs to comparable school districts.
- Internal Audit worked with APS staff to coordinate and communicate APS cost information needed by the vendor to complete this project.



Comparison of New Construction Costs

- APS Audit Committee discussed DRAFT report provided by O'Connor Construction Mgmt. Inc. at its June 2018 meeting.
- APS Audit Committee provided DRAFT report to the APS School Board in June 2018.
- Meeting of APS Audit Committee with Arlington County Audit Committee will be planned to review the DRAFT report.



Internal Audit Next Steps

- Develop the audit plan for FY 2019



Questions?