



Arlington
Public
Schools

APS Internal Audit
Department

Annual Audit Report

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John Mickevics
Director, Internal Audit



Presentation Overview

- **Overview of Internal Audit at APS**
- **FY 2019 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**



Construction Cost Study for APS



Comparison of New Construction Costs

- O'Connor Construction Management provided an independent comparison of APS new construction costs to comparable school districts.
- APS hosted meeting with Arlington County Audit Committee to review and discuss report on November 20, 2018.
- Market Study for Arlington Public Schools provided by O'Connor Construction was also presented.



Comparison of New Construction Costs

- APS Audit Committee requested that O'Connor identify opportunities for construction cost reduction throughout all phases of each project.
- O'Connor offered 11 suggestions.
- APS had already implemented 5 of these and is unable to implement one because of current VA procurement regulations.



Comparison of New Construction Costs

APS Facilities & Operations ranked the remaining 5 suggestions for greatest potential for future savings:

- Benchmarking & Cost Modeling
- Developing a Risk Register
- Conducting Market Research & Market Studies
- Instituting a Pull Planning/Last Planner Process
- Explore alternative delivery methods



Comparison of New Construction Costs

APS staff will analyze potential implementation costs of each of these recommendations compared to potential cost savings and efficiencies that might be gained.



Review APS Activity Fees

- Summarize all fees required to participate in each school activity.
- Outline all sources of funding for each activity: APS, Booster Club, PTA, etc.



Activity Fees: Scope

Questionnaire for activity fees and funding sources.

- Customized for Elementary, Middle and High Schools.
- List of clubs, athletic and academic activities.
- Art and music classes per the APS Course Descriptions.



Activity Fees: Information requested

For each activity, we requested:

- # of participants
- Fees, including equipment fees
- External funding estimates:
 - Booster Club
 - PTA
 - Student Fundraising



Activity Fees: Findings

High Schools and Middle School

- Reliance on funding from booster clubs, PTA and student fundraising was noted.
- Important for activities where total costs exceed \$1000: theater, band, chorus, crew, music trips and Harvard Model Congress and Model United Nations Club .



Activity Fees: Findings

Elementary Schools

No fees

- 4 schools (Nottingham, Campbell, Long Branch and Oakridge) reported no fees.

Class or student activity fee

- 5 schools (Drew, Key, Henry, Taylor, Tuckahoe) assess an annual fee from \$15 to \$100, based on school and grade level.

Specific fees

- Other schools reported fees for snacks, supplies, publications & field trips.
- Field trips charges ranged from \$0 to \$85.



Activity Fee: Observations

- Diversity of school missions and degree of autonomy are reflected in the variety of fee types and amounts.
- Most schools noted that no student would be prevented from participation due to non-payment, with funds covered by the school, PTA or other donations.
- All fees appeared to be within the spirit of the APS Policy that allows that fees associated with a field trip to be passed on to students, although this policy only applies to field trips.



Financial Control at the Schools

- Visits with Principal and Treasurer at selected schools to understand their control environment surrounding receipt collection, deposit processing and funds disbursement.
- Goal: Visit 10 schools this year.
- Actual: 11 visits (9 elementary schools, 2 high schools).
All middle schools and programs visited in 2015.



Financial Control at the Schools

Scope:

- Identify receipts (cash, checks, credit cards) and both manual and electronic means of deposit.
- Evaluate security over cash and checks collected.
- Identify controls in place.
- Observe current procedures and outline best practices currently in place.



Financial Control at the Schools

Observations and Suggestions:

- All schools demonstrated commitment to APS policies for School Activity funds.
- Followed up on prior suggestions for improvement:
 1. Share Best Practices from Principals and School Treasurers.
Treasurers Resource Group website was developed by Finance to consolidate and share information with school treasurers.
 2. Encourage the use of technology to enhance efficiencies.
Increased use of check scanners has reduced paper check deposits.
 3. APS Online payment methods need greater use for fee payments.
There continues to be opportunity for increased availability for schools to offer online payment options.



Follow-up on prior audits

Per APS Internal Audit Policy:

“Internal Audit shall perform a follow-up review to verify implementation of recommendations and provide ... a report addressing the results of the review.”

During FY19, Internal Audit followed-up on management actions taken in response to open recommendations.



Payroll Processing and Controls

Findings #3 and #4 recommended a review of current access to sensitive information and restriction of full access to those employees who regularly require full access.

Current Status: Completed

- Segregation of Duties Project in early 2019 reviewed access to Payroll, HR and Benefits.
- This was done to ensure that staff have appropriate access to all Oracle forms and reports required to complete their job duties.



Montessori tuition billing & collection

Implementation of unified oversight of Montessori pre-school tuition payments.

Current Status: Completed

- Montessori tuition payment was centralized at the Welcome Center in September 2018.
- List of tuition balances due is followed up each month.
- It has been a learning process as families learn that Montessori tuition is required in advance of classes.



Follow-up on FY17 Audits

Design & Construction

Current status of recommendations to document and enhance financial, procurement and project management controls:

- 3 are completed;
- 2 require additional resources to complete.

1. Post Occupancy steps that need to be implemented include:

- 90-day debriefing of Building Level Planning Committee;
- 1-year post occupancy evaluation report to the School Board;
- Formal transfer of extended warranties to Operation and Maintenance.

Completed: Project Managers working toward getting work finished and getting reporting out when it is complete. Issues with contractor performance has impacted timely resolution of close-out items.



Follow-up on FY17 Audits

Design & Construction

2. Financial Control Resources

- As rate of new projects has increased over the past few years, resources for financial control oversight have remained constant.
- Suggest cross-training additional Finance staff in each of these functions to provide back-up when needed and to facilitate continuity.

Additional resources required to complete:

Finance needs additional staffing to do this work and because of the fiscal constraints around the FY20 budget, this will not happen before FY21.



Follow-up on FY17 Audits

Design & Construction

3. Financial Control Documentation

Suggest all current Financial Analyst functions, including the ten-critical planning and control functions, be detailed in a written process manual.

Additional resources required to complete:

Finance needs additional staffing to do this work. If former Director takes on this work on a part-time basis, manual would be complete in Spring 2020.



Follow-up on FY17 Audits

Design & Construction

4. **Design and Construction Control Documentation** of 17 financial control functions need to be documented in a process manual.

Completed: ***Design and Construction Procedures Manual*** as of March 2019 referenced all 17 control functions.

5. **Purchasing Control Documentation** of 7 critical procurement control functions need to be documented in a process manual.

Completed: ***APS Purchasing Resolution*** incorporates the 7 procurement control functions.



Annual Audit Report

APS has an effective system of controls that assist in managing personnel, activity and construction costs.

The rate of new projects has increased over the past few years, while resources for financial control oversight have remained constant.

With the increase of new projects and issues affecting ongoing projects, it is important for APS to continue to perform all control functions that have facilitated the timely identification of financial issues.



Internal Audit Next Steps

- Student Transportation required by IEP or Federal law
- Develop internal audit plan for FY 2020



Questions?