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# Fairfax County School Board Audit Committee Meeting, Monday, November 17, 2025

Date Monday, November 17, 2025  
Place Fairfax County School Board, Virginia  
Length 1h 2m (video)

- Official meeting video (YouTube): <https://www.youtube.com/watch?v=RFuGpILYMvo>
- Official School Board page (FCPS): <https://www.fcps.edu/about-fcps/leadership/school-board>

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Speech-to-text: whisper.cpp, model large-v3-turbo. Produced 2026-10-29. Each paragraph starts with its time [HH:MM:SS] in the meeting video.

[00:01:42] - Okay, do I have a script? You emailed it. No, I just need to find it. Let me, if I can't find it, sorry.

[00:01:58] Oh, no, I got it.

[00:02:14] Okay, so this November 17th, 2025, regular meeting of the Fairfax County School Board Audit Committee will now come to order at 4:03 p.m. Afternoon's meeting virtually due to a medical conflict and is attending this afternoon's meeting from Springfield, Virginia.

[00:02:29] All those in favor of approving the St. John Cunning's request? Okay, that's unanimous for those at the table. Ms. St. John Cunning, please check your audio and video. - Hi, I'm here, can you guys hear me?

[00:02:47] - Okay, we hear you, it's very soft, so we're gonna try and get it louder. Can you try again? - Sure, can you all hear me? Okay, thank you. - Loud and clear, thank you so much.

[00:03:05] Okay, we will now move forward with approving the minutes from the September 15th, 2025 Audit Committee meeting. So, okay, moved by Mr. Moon that the Audit Committee approve the minutes from the September 15, 2025 meeting with leave for the clerk to correct any formatting, technical or grammatical errors.

[00:03:24] Do I have a second, Nanette? Okay, all those in favor of approving the minutes? Unanimous for everyone here, thank you. So now we will be moving on to 1.03, which is OAG engagement status updates.

[00:03:43] So I call on Danielle Moore for item 1.03. - Thank you, good afternoon. I will be providing the OAG internal audit status updates. Happy to report that our audits are all on schedule to be completed. First, we have the local school activity funds audit, including the continuous monitoring for FY25.

[00:04:05] Brittany will be presenting that report tonight that is completed. We have the healthcare claims management audit, which also will be discussed tonight. School and office safety. The audit is currently in execution phase, and we will present later on in FY26.

[00:04:25] We have our continuous monitoring for FY26. We've started quarter one. We've done 15 site visits and also three, the gate receipt procedure at three schools. We also have, we're proud to announce that we will be receiving a peer review in January, the week of January 26th through the 30th.

[00:04:47] We will be having some external auditors come in and make sure that we are following our auditing standards. As it relates to other OAG duties, we're currently in our risk assessment process where we're doing interviews, benchmarking, surveys, and collecting financial indicators on our potential FY27 topics.

[00:05:12] We also have our fraud, waste, and abuse inquiries, which Esther will be talking about in just a second, as well as our recommendation audit follow-up. The as of October 31st follow-up reporting period will be presented at our January audit committee meeting.

[00:05:29] As well, we have our final topic, which is outreach and education. OAG recently did a training with the Office of the Comptroller back in October, where over 100 FCP employees attended. And we also have an upcoming training with Procurement Services, which will be on January the 9th.

[00:05:49] So we're looking forward to that. I'll give it back to Marie. - Wonderful, thank you, Ms. Moore. Any questions, Ms. Keith? Okay, moving forward with item 1.04, OAG internal inquiry updates. I call on General Koh for an update.

[00:06:06] - So good afternoon and thank you so much for attending the audit committee today. Before we get into it, I also want to acknowledge my full auditor's team are here so that you can see who is actually behind putting all the reports together.

[00:06:22] With that, if the clerk can put up the inquiry document, the one after that. So it's called OAG Internal Inquiry Updates. Yes, thank you. So this is a presentation format that is relatively newer.

[00:06:41] On a regular basis, I bring to the audit committee about the numbers of cases that we receive per themes, per categories, right? So here we can say, we can see that we have conflict of interest, documentation, et cetera, et cetera.

[00:06:59] but I know that sometimes we may not be able to get a better sense of what those numbers mean. So from this one forward, I have incorporated a column called reportable. So you may ask me what reportable means.

[00:07:14] When you look at bottom under the reportable categories could mean that there may be credibility of fraud, waste and abuse, or maybe there are situations involving school board leadership team members or some of the situations involving systemic changes that we may need to provide to the organization as a whole or other necessary situations so we added that column of reportable for each of

the fiscal year and then we provide a percentage of hey out of how many cases of the total situations that we receive what is the percentage of these

[00:07:54] reportable cases so that you can see the trend is coming from 4% in fiscal year 22 and until now in fiscal year 26 which is still ongoing we are at 14% so you can see that the percentage of reportable cases were on the rise and to me this is a good story to tell that we are trying to remove some kind of challenges or issues before it becomes an issue our employees our constituents they are very proactively coming forward to us for situations that may need to

[00:08:30] take a look at so with that I would like to hand the time back to the chair and to see if there are any questions yes it seems like the use of assets category has spiked up a little bit could you talk about what kinds of things you're you're seeing in there and if you're concerned about that.

[00:08:53] Thank you, Ninette. So at FCPS, we are mainly, you know, the major expenditures is payroll. So we are contributing our time for the success of the students, right? So when we talk about use of assets, a lot of the time it's about how, is there like a proper way to document, you know, FCPS employees are spending time working on FCPS contracted work so we sometimes may get situations to say hey a certain

[00:09:27] individual may not be working by certain time and after a certain time so it's many time record are related so that's how we define that like intangible assets so to speak the most of them are you concerned about what you've seen so far this year because like I said the numbers do seem to be up for the first quarter no I don't see like notable concern in that for me it's more like an education and it's also great to let everyone know that that especially our employees someone is watching or like our employees may be watching each other

[00:10:05] because we are not in the 200 schools right so we really could not tell is it that individual is working or not but I'm really great that we have built up this you know eyes and ears in the schools and people know this method to connect with us if they see, you know, red flag.

[00:10:21] So I have a question on this as well. So first of all, let me thank you and your colleagues for pulling together this document. This is something that came from a request, I believe, from Mr. Moon, that we have a better sense of, you know, how to read this chart, right, and so these separate columns are helpful.

[00:10:46] But my question for you is, and this is also something Mr. Moon and I were talking about looking at this, how would auditors typically view this in relation to the success of an audit office, right? If the number of requests are going up, that means the community ostensibly has more trust, right, in the system to be able to report, but obviously if it goes down, then that's also a positive for the system. So is there any correlation between effectiveness of the office and this?

[00:11:24] - This is a great question, Ryan. I mean, I have been trying to like think a little bit more about that too, right? When we try to understand what it is, it's kind of something that really out of the control by the Office of Auditor General. It's not something that the school board approved, right?

[00:11:40] Each year, let's have like 30 cases that OAG will be looking at. It's kind of like a crystal ball that I could not see how many will be coming in. From my perspective, I always looked at it from a holistic perspective. so to me a successful auditor general office and which by the way if i can market that a little bit we will be presenting our annual report in the january 5th meeting so you can see more about our

achievement kind of what we are rating ourselves from my perspective i really see it as a holistic program that we do a lot of outreach and education right we have to making sure

[00:12:19] our employees and constituents is aware of this method to report and then to let them know kind of like the types of cases we receive so that we part of like transparency in it we could not tell a lot about the details because it's privileged and it's confidential but i do want to raise awareness from like our staff members and constituents so that we know that we take it very very seriously and we looked at each case very seriously if you asked my team for all this how many cases we have 28 so far for this fiscal year we looked at each one of them with fidelity

[00:12:55] of diligence so I don't know if I have answered your question Ryan but to me I think we have to look at all the aspects of OAG work as a whole okay seeing no further questions I think we can and move on to item 1.05, FY25, Quarter 3 and Quarter 4, Continuous Monitoring Results and FY25 Local School Activity Funds Audit.

[00:13:23] So for that, I call on Miss Brittany Hamilton. - Thank you, Ryan. So good afternoon. This summary, so 4.1 is the summary outlining OAG's FY25 Continuous Monitoring for Q3 and Q4 results. These procedures were conducted in line with the audit plan approved by the school board and follows the generally accepted government auditing standards.

[00:13:49] For this audit, OAG utilized technology-based audit technique to analyze patterns, trends, and select transactions for testing. Our quarterly testing and quarterly monitoring covers all appropriated and non-appropriate funds, and we leverage the non-appropriate transaction data to establish the testing data or testing basis for the comprehensive annual LSAF audit.

[00:14:15] Therefore, all non-appropriate exceptions identified are integrated and reported with our final FY25 LSAF auto report. So at the end of, sorry, the end of page one and two is a snapshot of the activity across 202 sites.

[00:14:35] 103 sites just over half had no exceptions noted at all. 55 sites had exceptions in three or fewer areas 44 sites did not appear in transaction sample for this period. The exceptions were noted were generally in standard areas, and we did not identify any material concerns that are significant for individual sites.

[00:15:00] I will not dive deep into each exception, however, I will highlight one atypical instance related to change funds, which identified an instance where a change fund was created for a single sporting event and it exceeded optional operational needs and critically was not reconciled separately from the events overall sales so all of the non appropriated finds and findings were incorporated in the final LSAF audit report which we'll discuss next and with that I'll turn it over to Ryan

[00:15:34] Okay, any questions on the local school activity, or no, on the previous one? The continuous monitoring. Yes, Mr. McDaniel. So you mentioned that there was one anomalous finding.

[00:15:50] So just a little, it's not typical, just a little different. But yes, change funds. Can you say it was a sporting event? Yes, one sporting event. For one school. One school. Can you say which one? No. Yes, so for this particular report, we actually looked at it from a systematic division-wide process, and then we identified, you know, one particular school that their change front is more than what the other school normally keep.

[00:16:25] And I think we can mention it here, is it Hayfield Secondary School? And then we have been in contact with their schools just to making sure they are aware of the regular process of how to keep it.

[00:16:42] And then we will also look at it on a continuous basis, right? - Right. - To ensure that they have fixed the issue going forward. I want to say \$800. - \$850. - \$850 out of total? - Correct, yes.

[00:17:00] - So maybe I think we should, I would like to defer this question maybe to our comptroller office because CIMA is here. So I think she may be able to provide the board members a little bit of background about what do we normally see, right, in the change fund? So for change funds, it's just a couple hundred dollars that we keep in the change fund, but they should not be commingling it with the sales or activities that are being received for that event.

[00:17:32] You have to keep it separate and reconcile those things separately. Thank you. Anything else on the first report? Okay, moving on to local school activities. - Okay, so for 4.2 FY25 a local school activity fund activity or audit report.

[00:17:54] So let's start with the objectives. The objectives of this performance audit were to determine if cash balances are fairly stated, to assess compliance with applicable regulations and policies and determine if internal controls are adequate and functioning as intended, and to determine if transactions are reasonable and do not appear fraudulent.

[00:18:13] So through a combination of continuous monitoring, site visits and surprise inspections we completed the scope of this engagement and so as a result it's two things um oag was able to determine that cash balances are fairly stated and that transactions across the division appeared to be reasonable and did not appear to be fraudulent we did however identify three specific observations related to internal controls and compliance and I will walk through those now.

[00:18:45] So for observation number one, in our detailed testing across 202 sites, we found that 129 sites, which is well over half, had no exceptions noted. 73 exceptions, well 73 sites had exceptions in three or fewer areas.

[00:19:02] And in the graph on page nine, it will show a breakdown of compliance in the three areas. Sorry, could you go to page nine for me?

[00:19:25] All right, so we've included the full tables, but I wanna highlight the main themes. So A is LSAF accounting procedures, which is on page nine. In this area, it's the most frequent exceptions are related to internal controls over documentation, specifically ensuring bank reconciliations are properly signed and dated in a timely manner, ensuring fund accounts balances are positive at year end.

[00:19:53] So then we have B, which is cash disbursements on page 10. Cash dispersants show the highest level of compliance with nearly all sites fully compliant. The exceptions here are scattered across ensuring purchases are pre-approved, checks have dual signatures, and all transactions had sufficient supporting documentation.

[00:20:15] And then if we go down to page 11, we have cash receipts. This area is where we noted several control breakdowns related to cash handling. Activity gate procedures, we'll start with, we found instances where all individuals are responsible for both recording sales.

[00:20:34] Sorry, one individual was responsible for both recording sales and collecting cash, and where manual counting was done instead of using control system like e-tix. Timeliness, there were issues with

timely deposit into the bank after the financial technician received the funds, and also the timely receipts.

[00:20:54] This is where funds were not turned in over to the financial technician from teachers our sponsors in a timely manner. And so we have change funds as well. As mentioned in continuous monitoring, we saw issues where change funds were co-mingled with sales receipts, which we spoke about earlier.

[00:21:13] All these exceptions occurred at an individual site level and did not ultimately impact the site's LSA of balance. And all noted exceptions and the necessary recommendations have been already communicated to the individual sites following the testing, which allows for corrective actions.

[00:21:31] And so again, OAG concluded that these exceptions when aggregated did not have a material effect on the overall statement or cash counts. So cash receipts and disbursements for the school division. And so moving down to observation number two on page 11, this is cash receipts internal control environment.

[00:21:52] This observation addresses the process when teachers and sponsors collect funds. Our primary focus on this area, it has three areas. So number one, the form control. The FS-131 deposit form are not pre-numbered and are not maintained in numerical sequence.

[00:22:14] This creates a risk that cash receipts could be possibly lost, stolen, or unrecorded. And then number two, the lack of independent verification. Well, documentation is provided to the financial technician, but the process does not allow for sufficient or independent verification or accurate reconciliation of documentation provided to the FT, which also heightens the exposure of misappropriation.

[00:22:39] So then the third one was the tracking mechanism. So because of the financial technician does not maintain a log or a system or a schedule of activities that should be collecting funds, it cannot readily determine whether any collections are missing.

[00:22:58] So while this did not have a material effect, risk related to cash collections are not fully addressed so OAG recommends and that they focus on strengthening the process updating controls promoting the use of automated systems like msb and exploring the transition to pre-numbered receipt books or electronic receipt system for better traceability and so we have observation number three on page 13 which is deposit date control weaknesses in Great Plains. This system allows for financial technicians to record

[00:23:34] deposits using dates from a prior accounting period, including dates a month prior without triggering any alerts, restrictions, or compensating controls. This capability is necessary to meet leadership's operational and reporting requirements, but its unrestricted nature poses risk. So when a deposit entry is delayed or backdated, the recorded cash balance can and be misstated, the deposit can clear in the wrong accounting period.

[00:24:03] And it creates opportunity for funds to be concealed or misappropriated without timely detection. So while this observation did not have material effects, the risk related to entering deposits using a backdated transaction date are not entirely addressed by the current control activities.

[00:24:24] So OAG recommends that management implements controls either a system-based restriction or flag within Great Plains for backdating entries or policy requirements with mandatory documented

justification or supervisor approval for backdated entries.

[00:24:42] In closing, cash balances are fairly stated. The transactions appear reasonable. Our observations focus more on strengthening controls to mitigate identified compliance and process risk and particular areas in cash receipts and Great Plains deposit entry process.

[00:25:02] And so OAG appreciates the cooperation and courtesies extended to our staff by financial services, principals, program managers, finances, technicians, and finance assistants.

[00:25:17] And so keep going, okay. So I'll go over to our, which is 4.3, the year-to-year comparison. This comparison helps our office understand where controls are improving and where we should sustain focus.

[00:25:33] And remember that local school funds involve funds. It's usually from fees, sales, and donations across our 202 sites. So I'll start with page four, which is LSAF accounting procedures.

[00:25:48] This area includes reconciliations, procurement card controls, and fund account balances. So I'll start with bank reconciliation. This category saw a substantial reduction moving from 49 sites in FY29 down to 32 in FY25.

[00:26:07] The fund account exceptions, this shows the dramatic positive trend. The number of sites with exceptions for deficit balances at year end decreased from 57 in FY23 to 21 in FY25.

[00:26:22] Non-bank, this category, which primarily tracks procurement card compliance, it's remained stable. Safeguarding of assets, it did go up by four sites in FY25. Timely payments, which are late payments to vendors, dropped from two in FY24 to zero in FY25.

[00:26:48] And so if we can go down to page five for cash disbursements. We have authorized signatures. This exception is for improper dual signatures or co-signing by a payee. and it went down to two sites in FY25.

[00:27:06] Competitive bidding and sales tax, these categories remain low across all three years. Incorrect account, it increased by two in FY25. Purchasing process and timely payments, these are the most frequent exceptions, but both have declined by six sites in three sites respectively in FY25.

[00:27:29] Timely payments, exceptions saw a large fluctuation, dropping from 10 in FY24 to three in FY25. And then lastly, on page six, we have cash receipts. Activity gate receipts, this testing category is new.

[00:27:47] It started in FY24. We saw six exceptions that year, but it has dropped to three this last physical year, which is FY25. Change fund and timely receipt, These categories are small, but the risks are there.

[00:28:03] Timely deposit, we saw an increase of five in FY25, and timely receipt decreases significantly, dropping from seven in FY24 to one in FY25. So in conclusion, the data indicates sustained compliance and control effectiveness across LSAF accounting procedures and cash disbursements.

[00:28:30] And I'll move it back over, thank you. - Great, this is a lot to absorb. Any questions? Yes, do not. - So my overall question is whether there's any policy about how much these balances should be in the different schools in relation to the annual amount of receipts and disbursements.

[00:28:53] And the reasons I'm asking is because when you look at the detail report you did on all the different schools and it shows how much they took in for receipts and how much they took in for

disbursements, it looks like overall for the year they take in about as much as they expend. So then you've got all these balances there, and I understand there's some seasonality.

[00:29:12] I mean, school starts up, you've got expenses that come in, and the money's not gonna come in right away. So you've gotta have some money that starts out through the year. But I had a hard time figuring out what the relationship was between what the balance was that the school was holding and what was going out.

[00:29:29] 'Cause in most, overall it looks like it's about half a year's worth that they start out with. And I was like, maybe that's the policy, but in some cases it was a lot more than that, in some cases it was a lot less. And even between the sizes of the schools, like if you look at South County and Thomas Jefferson, those are two schools which I may be incorrect about this, but I think they both have about 2,000 enrolled students.

[00:29:54] But TJ has a huge balance compared to, they start out the year with \$1,200, South County starts out with 350,000. Now, I had a kid that went to TJ, there's a ton of clubs there and you know different academic competitions or it makes sense that it's more that they're holding on to but does it have to be that much more like you need to have that much money sitting in the schools or could those balances be drawn down somehow to kind of remove the temptation or relieve the burden on parents for fees and I just didn't know if there was a policy on that thank you if I may respond and it's a great

[00:30:33] question I if I understand you correctly is that when you looked at the the trend right we have the balance from last the end of last school year and then you have the in and the out right and then you have the balance for this year you may see a lot of fluctuations seems to be the same amount in and out and how about the use of purpose if this audit we focus on the three particular area accounting procedure cash receipt and cash disbursements so we don't quite looked at it from that angle so I would like to we have our CFO here and our

[00:31:07] controller so if I may refer to you about the policy that would be great thank you okay so the way it works for the schools is these are a local school activity fund account so each school has different segments within the local school activity funds they have various accounts and within those accounts they keep balances many of the balances that are kept high schools are going to be between seven eight hundred thousand dollars to 1.2 million um middle schools less than that half a

[00:31:43] million and then you have the elementary which is a couple hundred thousand so the accounts that are kept a lot of it is the school activities the clubs that generate the money they're kept in the accounts and held and can only be spent for the purposes of what they were raised for so if band generates dollars then that money has to sit there till that money is spent so you have a lot of carryover balances from year to year for for that restriction for our policies because whatever you generate that's what it has

[00:32:17] to be spent then your TJ question TJ has a lot of money and a lot of money is there to primarily it's a lot of scholarship money and scholarship funds have to they get the scholarship money they manage their own scholarship funds And they sit there within the scholarship accounts, but they have to sit there and be used for the intended purpose of that scholarship.

[00:32:41] So then that school has a lot of that, and they also have a lot of clubs and activities, as you mentioned. And the money also has to sit there and get carried over from year to year because it can only

be used for that purpose. And then they have a lot of money that has been donated to them to be used for science equipment, those kind of things.

[00:33:03] and that also has to sit there for that purpose um but it can't be used for anything else and we do monitor it very carefully okay thanks so so and that's kind of the way i thought it worked but so there's no overall policy like you should only have x number of months okay thank you great thanks so um i'm first going to i'm going to go to the st john cunning followed

[00:33:32] by mr mcdaniel thank you i don't know if you guys can hear me okay perfect um i'm just gonna you know ask a question when you went through all all of this and i mean it's good to see that there's an improvement but my questions in terms of where you found discrepancies or where you found problems if you could list for us uh you know how many were at elementary schools middle

[00:34:06] secondaries and high schools uh and how many of those discrepancies resulted of as of somebody that was a new financial uh person in that school um i know i've shared several times that there's such a huge turnover in elementary schools uh for administrative assistants who also have to do the finance and there seem to always be behind the power curve in terms of learning everything that has to be done so i think that could help us in terms of making decisions uh so that's

[00:34:40] some information that i'd like to see um to know what schools had the issues was it elementary middle high schools um and if the finance technicians were new employees so i think those two things are things that we should look at my other um question was i don't know if it's a question as much as it is a one wondering because some of these schools are getting dinged for not

[00:35:14] getting receipts and in time or what's happening but sometimes it's not school personnel collecting the money you know it's the drama booster person it's the sports booster person and they're kind of having to depend on a volunteer to bring that to them so it's just a wondering about those processes thank you st. John's County and then this is great question so let me try to respond to them and I likely need to call a friend from the comptroller

[00:35:52] office or the CFO to support so the first question about an analysis by the school level we can certainly do that but I think we may also want to put into perspective to that high school and middle school they will have more transactions right compared to an elementary school level so it may not be fairly compared across because the volume could be very different so that's that's one thought and that's why we haven't done it and we can certainly include that going forward in the comparison PowerPoint so that the audit

[00:36:31] committee and school board and constituents can see that and the second question about financial technician or financial assistance in elementary school that who may be new to the school environment or they may not have one for a long time from our office perspective we do not quite have the information to keep track of that but I do know that that the comptroller office they do keep track of like who are new who are not new and as a matter of fact for us we

[00:37:05] try to conduct a turnover audit like meaning a deep-dive school audit when there is a change in principal or finance technician or finance assistant and you will actually hear one of them which is the West Springfield High School and we are going to present to the audit committee next about the observations that we made so I think with that maybe I can defer you know to Comptroller Office and see if CIMA has any comments to add. And I didn't want to limit

[00:37:42] just to elementary. Like if the finance technician person is new at any of those schools, that's all. Because it's a lot. It is a lot. And all the codes and all the different things. And like if you've been in the system for a while, you get it. But if you haven't, there's more probability for perhaps unintended error.

[00:38:07] Yep, yep, definitely, Masir, that we include middle school and high school finance technician change in our selection as well. So thank you for adding that. Okay, so 40, around 40 of the finance techs and AAs at the school sites are new.

[00:38:28] So that's basically they've been here less than a year. the learning curve is really steep, and that gives a higher tendency of making mistakes. We see a lot of mistakes happening, and the turnover is at the elementary school level because they're doing the AA job and the finance job.

[00:38:48] And then that in combination with being new and learning, we tend to see a lot of the problems in that area. But I can tell you that if you look at the graphics that you're seeing, you're seeing that the trend in a lot of the categories is down because we're doing better because we're trying to emphasize greater review of bank reconciliations a lot of trainings we have a lot of videos out there we have I think approximately 30 videos now so that not only do we supplement the training with you know in-person attendance one-to-ones at the school

[00:39:28] sites but also videos that you can watch and get trained so we're hoping in combination of all of that, you will see the bar charts trending downward and improving in the training. And part of the reason that I bring this up is that some of these situations are not nefarious situations. It's just that it's new. It's, I don't, which is a good thing. It's a good thing that it's not anyone that's, you know, trying to cipher off money or cipher off money.

[00:39:57] thank you I wanted to kind of tease off of something that I just forgive me for my ignorance here but the local school activity funds where does that can you just can staff go over where exactly that money comes from I think I have an understanding of it but just to be clear where we collect the different methods of collecting the school activity funds?

[00:40:33] I know ticket sales and-- - Maybe I can start and then if controller office would like to add to that. So Clark, if you don't mind to pull the PowerPoint up to, yes, yes, hold on, hold on.

[00:40:50] One down, like under sec, yes, yes, so here is the sources of where the local school activity fund is coming from. Fees and dues, sales and donations. Seema, anything else you would like to add? I think that covers it.

[00:41:07] Fees, donations, clubs, a lot of the athletic funds that are raised. Yeah, I think that covers it, fundraising. So it's a fee-based fund for the most part.

[00:41:25] I do not have the proportion of these three bullets, but yeah. So here's where I'm going with this, and I think it was kind of closely mentioned, But if you tally up high school plus middle school plus elementary, and that's \$25 million we're sitting on, that's a lot of cash to be sitting on.

[00:41:47] And I kind of compare it to a fee-based fund, like, for example, our food nutritional services, which I know are required to sit on three months of the cash balance. Are there any policy controls in place to tell schools at the local school level that you can't just sit on cash?

[00:42:08] So, yes, thank you. I think I would need to defer to the Comptroller Office, but just to clarify, Kyle, you mentioned about cash, you include cash and checks too, right? But it's like liquid funds. - Right,

so I mean, and I think this was brought up, so we've got, if you go to the high school level here on this report, and you've got Langley, or excuse me, Thomas Jefferson at 1.1, which I kinda get TJ's a little exceptional in air quotes, but our lowest one, by a quick scan, \$200,000, give or take, \$195,000, I think, at Mount Vernon, and then it goes all the

[00:42:47] way up to \$890,000 at West Springfield, TJXide. That's a big delta of funding that these local school funds are sitting on, so I guess my question is, if the funding isn't being used for kids, and we're not giving direction on how the funding has to be used, there's no policy, there's no guidance, who's making a decision as to how to use those funds, because \$26 million sitting in a bank account that's not being spent on kids doesn't really matter.

[00:43:25] Philosophical question, I get that, but that just really jumped out at me. Yeah, I would need to defer to management, you know, to respond to that. But I do know that, like Sima explained, that those funds were collected for a specific purpose, and the purpose have to be met in order for us to spend it, but I want to see - And I understand encumbered versus unencumbered.

[00:43:47] I totally get that. But I really wanna make sure the money that the kids and the families and the parents and the community's paying to go to all of our great activities, that's actually being spent on that. - I'm gonna just interject a couple examples before Seema and Lee step in.

[00:44:05] But one example, I remember meeting with the Mount Vernon High School Band Boosters who took, I think they said 18 years to raise enough money to finally buy their band uniforms. So some of these schools, they collect money every year. They put it in an account because they don't have enough in any one year to make that full purchase.

[00:44:25] So it begins to add up. And it's not that they're not intending to spend it on student items, but it takes a certain amount of money to purchase band uniforms. And they were, of course, sharing that because it doesn't take that long at other schools to raise money to purchase new band uniforms, right?

[00:44:43] So it was more around how do we equitably resource schools around the division. But I think a number of these types of funds are very similar to that where they're collecting money until they have enough to pay for their item because these are generally student body initiative funds.

[00:45:01] But I'm gonna let them respond in more detail. But that's a sort of a concrete example as I was listening to this, that it's not as if this money is just going to sit there. It's actually intended to be there until they can make their purchase. - No, and I agree, that's a great example. So I just, it's, you know, it's a cash-strapped school system, so I just want to make sure that, you know, we're doing what we need to do.

[00:45:25] The next question I have, the next line of questioning. So we're talking about cash box, cash box versus in-person point-of-sale systems, and there's been some struggles, I guess, with reconciliation of the cash. There was a mention of, I don't remember, the POS system that we were talking about.

[00:45:43] Do we have any guidance division-wide on whether or not schools have to use a certain ticket sale or transaction system at the school level, if that makes sense? Yes.

[00:46:01] So we have guidance that schools are supposed to use e-ticks for their ticket sales and ticket sale collections. And based on what we try to take what audit finds and make those improvements, And what we're trying to add now is better equipment so that when you do the e-tix ticket collections, we can

collect things that people actually want to pay with, like Apple Pay, Google Pay, and take in other sources of payment to reduce the amount of cash that gets taken in.

[00:46:34] So we are trying to make enhancements, and we are trying to improve the whole ticket collection. Thank you. Mr. Moon, then. Thank you, Mr. Chairman.

[00:46:50] When I first read this report, 73 sites out of 202, I mean, to me as a lay person, stood out. But on the other hand, we were talking about \$45 million worth of local activity funds, school funds.

[00:47:12] It's a lot of money, a lot of transactions. And people, the new people coming in, there could be some oversight, mistakes, and so on along the way. But is it 73 out of two or two not a number we should be alarmed about or?

[00:47:31] So thank you for raising that. So it's 73 sites out of the total that we looked at may have one or two exceptions, right? So I think, I mean not I think, we're all human beings, right?

[00:47:46] So there may be exceptions that someone just maybe forget to do something. So what we try to mention is that we did not see a theme of issue rise to the level.

[00:48:01] This report is very significant in a sense that the external financial auditor also relies on this report to give their financial opinion on the FCPS system as a whole. So when internal auditors, meaning when OAG looked at things, we found every single thing.

[00:48:20] We report to the Audit Committee even one exception, right? So out of this 70 plus schools, even though we found exceptions, which we reported upon upon all those bar charts, so we reported about what they are, the nature of what they are.

[00:48:37] But what we are trying to say is that when we accumulate all the exceptions together, it did not meet the threshold of material misstatements when the external financial auditors looked at it. But we have the due diligence to report to you all as audit committee members.

[00:48:58] So we kind of have the laundry list of everything is reported here. So we are saying, and again, we are saying that it is not significant, in a sense, to a financial auditors, it's not material misstatements to the financial statement, but from a control environment, meaning checks and balances standpoint, we can do better.

[00:49:18] So that's why we share with the audit committee about the trends of the nature of the exceptions. You talked about threshold by external auditors to look at whether it's substantial or not. What is that? What's the threshold?

[00:49:35] So I haven't been doing external financial audit for a long time. Even though I am a CPA, I may need to defer that to our comptroller because they work with Cherry Backer at the most to answer that technical question? So what external auditors look at different than what OAG looks at.

[00:50:00] OAG will look at and bring up, oh, well, there was one bank reconciliation that wasn't signed. Bring it to your attention. But from an external audit perspective, if there's one bank reconciliation that's not signed and dated, to them that's not material.

[00:50:18] unless they see 20, 30 bank reconciliations consistently not signed and dated, or 20 in a row not signed out of 200 schools, that would be material and significant.

[00:50:33] So there's a threshold they look at, and a lot of it is based on samples that they pull, and they review these, but if it's just one or two, here and there, that's not material because it will not change your financial statement dollars in a significant way.

[00:50:51] - So that's what I want you to hear, whether what becomes threshold, whether it's a 1%, 2%, 10%, I'm a numbers person. - Okay, so I would say 15 to 20% is material.

[00:51:09] - 15, that's a lot, that better be material, right? - Yes, so that becomes material, because then your figures and numbers can change in how you're presenting your revenue, your expenditures to the users or those that look at the financial statements?

[00:51:28] - So let me play devil's advocate. You said 15%, does that mean 10% isn't? - 10% may not. It depends on what, I guess it depends on what they're looking at.

[00:51:43] 10% may be an observation to you. So for example, it may not be a material misstatement enough to cite you for doing something wrong, but it may be enough to give you an observation or a warning to say there's some control issues here that need to get looked at or something like that.

[00:52:03] - Again, to me, \$45 million, a lot of money. 10% is 4.5 million, that's a lot of money too. - Well, okay, so I think it changes depending on how you're stating it.

[00:52:18] So for example, I can give you an example. So at your end, when we do funds and transactions, we have to make sure things post to the correct fiscal year. I cannot be off more than \$30,000 for the school operating fund.

[00:52:36] So you can tell, you know, school operating fund is \$4 billion. So when they're looking at revenue being off, I cannot be off more than \$30,000. If I am in that case, they would count that as material.

[00:52:53] So the percent of that is a lot smaller, but in that 10, it would be material. But signing and dating a bank reconciliation, they may go as much as, like I told you, 15%, and it still wouldn't be material. - So I have a couple other questions.

[00:53:11] So we ordered this school activity, the local school activity funds, all of the funds once every year for every school, correct? Did I get that wrong?

[00:53:27] - So if I may, just go in a little bit more details methodology of how we do it is that every quarter we looked at it from the continuous monitoring perspective meaning that we monitor all the data by setting up certain scripts meaning like like reflex we cannot all my auditors are here so if I tell you that we looked at every transactions then I'm not yeah so we have to really think about some smarter way right to look at the population.

[00:54:02] So we developed some scripts about like red flags, meaning that if it exceeds, like, I don't have a dollar amount, I don't have that in front of me now, the scripts, and then to see where the transactions may have challenges on.

[00:54:19] And then we will request the documents from the site after the continuous monitoring. And then they will send us the documents and then we perform the detail reviewed in the office and if we found out oh my goodness it may lead to some other issues then we will go to do site visit at the school so you may not be requesting any document from some of the schools from many schools if they do not have

flags from the continuous monitoring except if i may say that except and i'm trying to go through the audit program in my brain now

[00:54:59] except when there are year-end balance checks and I'm going to be a little bit more accounting, auditing related because at the end of the day we are ascertaining the balance as of June 30th of '25, right? So we have to check the bank reconciliation as of that day.

[00:55:18] So there are certain procedures are mandatorily done on every single site, right? Like to confirm the balance is right but throughout the year that we will develop some scripts like some like methodology of hey here are the 10 things we are checking based upon our experience and then we looked at the entire population during that quarter and then we drill down on those that may be a problematic transactions so I see your entire team right here your team what percent of your

[00:55:56] So I can say that that we have Brittany and Kay they are our sort of school auditors so they will also work on some other things too but then their focus is on school audits and I do school audits too so you may see me in the gay receipt because I like to see if people are doing like like paying so I will wear my cap and then we be on the on the gay receipt night too.

[00:56:26] So we all contribute, but we have two staff members focusing on school audits. Again, as a numbers person, if I want to add, you know, if I ask you what percentage of your time gets devoted on this, is that, would you say two plus part, about 25% of your time to this?

[00:56:47] To this and also the business process audits, which we have one kind of like coming up next. like meaning when there are turnover, Marcia mentioned like there are changes in principle or finance technician or finance assistant, we visit them. At the end of the day for schools, our bread and butter, right?

[00:57:04] So we really take it very, very seriously. And we devote, like you said, about 20, 25% of resources on it. - Okay, okay, good to know, thank you. - One last minute. - I just wanna go back to one comment that was made about the timeliness of deposits that I don't think it addressed.

[00:57:23] I think when the money goes into the schools, there was a question about the volunteers and how do you handle the volunteers. But I think volunteers that generally are handling money, they're going to parent organizations. I thought that if a volunteer handled school money, you still had a staff person who was really responsible for it.

[00:57:45] So if they chose to, like let's say yearbook sales. So let's say in elementary school they chose to have a parent help them get the money, there was still a school person who was responsible for getting that and making sure it got to pause in a timely manner. Is that correct?

[00:58:01] So if I may defer, you know, to, you know, Comptroller. Seema, you want to respond to that? Yes. If it's a school activity and the funds are raised, then the school person is responsible. Great.

[00:58:20] Well, seeing no further questions, we will move on to the business process audit at West Springfield High School. And I will call on Ms. Moore. - Thank you, Ryan. I will be providing you with the results of the business process audit that we conducted at West Springsville High School.

[00:58:39] And like Esther mentioned earlier, this audit is more of a deeper dive at the school level. We're looking at non-appropriated and appropriated transactions and processes. And so these are ad hoc audits that we do and there are triggers for BPA to get started, whether it be a change in finance, tech, and

principal, based on any fraud waste and abuse inquiries that we received, as well as results of continuous monitoring.

[00:59:04] And in this particular situation, this was a result of continuous monitoring where we say we needed to go in and look and dive deeper. So as a result of this audit, we had two findings. One high-risk finding, which was related to timely entry. So we had seven of those deposit slips that were not entered into Great Plains in a timely manner.

[00:59:24] The deposits made it to the bank in a timely manner. However, the finance tech was not entering into the system in a timely manner. And then that high-risk finding, management concurred, and we did receive management responses from the principal and the RAS, being that it was a high-risk finding.

[00:59:42] The second finding was a low-risk finding, which is related to the purchasing process. And these, we had three cash disbursements were made outside of the purchasing process. So the disbursement was made prior to getting the purchase order approved.

[00:59:58] So those are the two findings that we had for West Springfield business process audit. - Great, thank you. Mr. Moon, your thing is still up, I know.

[01:00:13] Okay, great. Well, it looks like we can move onward to 1.07, healthcare claims management audit. Over to Moni. - Hello, so our office has recently conducted a performance audit of healthcare claims management.

[01:00:29] The scope and the objectives are listed on page two of this report. The result of this audit will not be shared in a public meeting due to the exemptions listed on page two.

[01:00:46] - So, colleagues will have an opportunity to discuss this in closed meeting. Well, seeing no further questions on this, the public meeting is now ended at 5:02ish, and the board will now meet in closed session.

[01:01:06] The audit committee will now make a motion to go into closed meeting to discuss personnel matters pursuant to section 2.23711A1, Dakota, Virginia, to consult with legal counsel regarding specific matters requiring the provision of legal advice by such counsel pursuant to section 2.2, 3711, A7, A8, and A29 of the Code of Virginia specifically contracts and personnel matters.

[01:01:29] Do I have a motion? Mr. Moon, do I have a second? Mr. McDaniel, all those in favor? Everyone at the table is unanimous. Thank you. Oh, Marcia, do you want to vote to go into close with us?

[01:01:47] She is away from the table, thank you.

