



Office *of the* Auditor General

Annual Report 2024

PREPARED BY:

Office of the Auditor General

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INTRODUCTION

On behalf of the Office of the Auditor General (OAG), I am pleased to present the Annual Report for Fiscal Year 2024. This report aims to offer transparency, accountability and insights into the effectiveness of the OAG's audit function. It highlights key activities, achievements, and challenges and assesses performance against set goals. The report ensures adherence to auditing standards and aligns audit activities with the organization's objectives.

The mission of the OAG is to enhance and safeguard organizational value through risk-based, objective assurance, advice and insight. The OAG aims to boost operational efficiency and integrity within Loudoun County Public Schools (LCPS) by offering recommendations for corrective actions, typically included in audit or review reports. To promote transparency and support the objectives outlined in the ONE LCPS | 2027 Strategic Plan for Excellence these reports are available to the public whenever applicable.

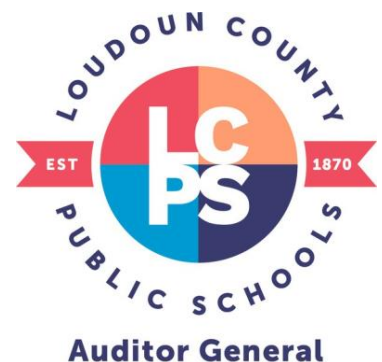
The OAG follows the Institute of Internal Auditors' International Professional Practices Framework, which encompasses the core principles for internal auditing, the code of ethics, international auditing standards and the definition of internal auditing. All members of the office are expected to uphold high standards of conduct and ethics, and to exercise sound judgment and discretion in their work.

I would like to thank the Loudoun County School Board (LCSB) and the Superintendent's Office for their continued support. I would also like to thank the internal audit staff for all their hard work and continued dedication to the citizens of Loudoun County.

Respectfully,



Ahmad Woods
Auditor General



ABOUT THE OFFICE OF THE AUDITOR GENERAL

Background

On May 24, 2022, the LCSB approved the creation of the OAG, with a team comprising one Auditor General, two Internal Auditors and one Administrative Assistant, as specified in the fiscal year 2023 (FY23) budget. The first Auditor General was appointed on October 12, 2022, and the OAG achieved full staffing on April 10, 2023. On August 8, 2023, the LCSB approved the OAG's inaugural annual audit plan for fiscal year 2024 (FY24). To ensure independence, the OAG reports functionally to the LCSB and the Legislative, Audit & Policy Committee (LA&P), with administrative and day-to-day operations reporting to the Superintendent.

Program Description

Under the leadership of the Auditor General, the OAG delivers independent, objective assurance and consulting services aimed at increasing value and enhancing the division's accountability and transparency. The OAG supports the division in reaching its goals by systematically evaluating and improving risk management, control and governance while recommending best practices that actively contribute to the division's success.

In addition to audits, the Auditor General investigates allegations of fraud and resource misuse and ensures compliance with laws, policies and regulations.

The OAG consists of a team of four professionals with diverse skills and expertise, all of whom are members of various professional organizations:

- Auditor General: Ahmad Woods
- Internal Auditor: Alanna Cooper
- Internal Auditor: Chi Tran
- Administrative Assistant: Bushra Ahmad



AUDIT ACTIVITIES

Audit Engagements

The OAG annual report outlines all activities conducted by the OAG from October 12, 2022, through June 30, 2024. The FY24 audit plan featured a comprehensive range of audit engagements, including the review of recommendations the student placement policy, assessments of controls related to special education staffing, IT third-party risk management and security – pass and badging.

The following schedules present the engagements performed in FY23 and the FY24 Annual Plan, showing the status and objective for each project.

Fiscal Year 2023 Engagements

Engagement Title	Status	Engagement Objective
Employment Eligibility Verification Form I-9	Complete	Review controls and processes of Employment Eligibility Verification Form I-9.
Fine Arts Stipend Program	In Progress	Review controls over Fine Arts Stipend Program to ensure it is operating as intended.

Fiscal Year 2024 Annual Audit Plan

Engagement Title	Status	Engagement Objective
Special Education Staffing Requirements	Complete	Examine LCPS SPED staffing for compliance with state regulations.
LCPS Student Placement Policy	In Progress	Follow up on the Special Grand Jury Report to determine the effectiveness of LCPS student placement/transfer policy.



Student Software Applications	In Progress	Evaluate LCPS access and controls for students using division-issued devices.
IT Third-Party Risk	In Progress/ Carry over to FY25 Plan	Evaluate whether IT third-party risk management is monitored per LCPS governance requirements and leading practices.
LCPS Staff Support and Advocacy Resources	In Progress/ Carry over to FY25 Plan	Follow up to the Special Grand Jury Report and examine the adoption and communication methods for staff support and advocacy resources.
Security - Pass and ID Badging	Carry over to FY25 Plan	Evaluate the adequacy of controls of staff ID badging.

The OAG also supported the division with management advisory services in the following areas:

- Data Governance Team
- LCPS Student Socioeconomic Status Dilemma
- One LCPS | 2027 Strategic Plan for Excellence

Annual Audit Survey

The OAG oversees the division’s annual audit survey, also referred to as the risk assessment. This process includes gathering input from all operational areas of the division through either virtual or in-person assessments. The Auditor General compiles and evaluates the departmental responses, making revisions as needed to create an audit universe. This risk assessment, along with other factors, informs the audit universe, which is used to develop the annual audit plan. Finally, the LA&P Committee reviews and approves the audit plan.

The risk assessment process carried out by the OAG, with contributions from LCPS management and school board members, results in a thorough analysis and ensures that resources are allocated efficiently. The administration’s careful



consideration of division and departmental goals, along with the identification and evaluation of necessary controls to achieve these goals, offers valuable insights for the audit planning process.

Audit Universe

The audit planning begins with an audit universe. The audit universe is a comprehensive list of entities and processes available for auditing, structured in a model that covers all potential audit areas within the division. This model is ongoing and essential to ensuring that all critical areas have been considered.

STEPS:

- Identify potential risks to LCPS.
- Rank each entity in the list based on attributes such as the duration since the last audit, revenue level, history and severity of past findings, system complexity, recent changes in systems or personnel, and other relevant factors.
- Develop an audit plan for auditing the top-risk entities.
- During engagement planning, identify and rank the risks associated with those entities and processes.
- Perform the engagements.

Achievements

The OAG's key accomplishments:

- Established the Office of the Auditor General on October 12, 2022.
- Created an Audit Committee to oversee the OAG before its integration into the Legislative, Audit & Policy Committee.
- Launched the "My Concern Is" Hotline to address suspected fraud, waste and abuse.
- Achieved full staffing of the OAG as of April 10, 2023.
- Joined the Association of Local Government Auditors and the Institute of Internal Auditors.
- Secured approval for the OAG's FY24 and FY25 Annual Audit Plans.
- Completed the OAG's first internal audit engagement.



Challenges

As a newly established internal audit function, the OAG encountered several challenges in its formative phase. Key issues included defining its scope and objectives to align with organizational goals, building credibility and trust with management, timeliness, and developing a comprehensive audit framework and methodology. Additionally, it was critical to establish effective processes and communication channels to comply with regulations governing the school division. Integrating with existing structures while maintaining independence and managing stakeholder expectations added complexity. Adapting to the organization's culture and addressing potential resistance also presented hurdles. Overcoming these challenges required strategic planning, fostering strong relationships, enhancing communication and actively engaging stakeholders.

Path to Progress

To address challenges in establishing the internal audit function, the OAG implemented several key strategies. First, the OAG clearly defines the audit scope and objectives to align with organizational goals, using specific, measurable, achievable, relevant, and time-bound criteria to ensure clarity and focus. The OAG continues to build credibility and trust with management through regular engagement and demonstrated successes. To ensure timely audits, the OAG devised and is employing efficient processes and will implement a Quality Assurance and Improvement Program (QAIP) to identify areas for improvement and tailor methodologies. Effective communication channels and keeping abreast of regulatory requirements remains crucial for maintaining compliance. The OAG continues to facilitate integration with existing structures while preserving independence and managing stakeholder expectations through detailed planning and transparent communication. Through concentrated effort on these areas, the OAG aims to overcome challenges and establish, and maintain, a successful internal audit function.

Operations

Operations and maintenance expenditures include materials, supplies and equipment to support the daily operation of the OAG. The expenditures also support professional membership fees, certifications, and auditors' annual Continued Professional Education (CPE) and the travel costs to attend these trainings.



In accordance with departmental policy, each OAG auditor completes at least 40 hours of continuing professional education (CPE) annually. Members with professional certifications also earn the CPE credits required to maintain their certifications.



FISCAL YEAR 2025 INITIATIVES

Building on this foundational work, the OAG will focus on four key initiatives in FY25: finalizing the OAG Audit Manual, establishing the QAIP, performing an OAG Conformance Readiness Assessment, and executing the FY25 Annual Audit Plan.

Audit Manual

The manual provides administrative and job-related guidance for OAG personnel, detailing policies on the professional conduct expected of staff. It includes standards for auditing, administration and personnel to ensure consistency and professionalism within the office. Aligned with the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (IPPF) Global Internal Audit Standards, the manual serves as a thorough resource for upholding high professional standards.

Quality Assurance and Improvement Plan

In FY25, following a full fiscal year with a complete audit team, the OAG will roll out its QAIP. This program will feature semi-annual team stand-down days for reviewing office practices, analyzing lessons learned from audits, identifying skill gaps, and providing relevant training and resources. Additionally, the QAIP will gather feedback from school board members and include a post-audit questionnaire for auditees to share their audit experiences.

Conformance Readiness Assessment

On January 9, 2025, the IIA will implement new standards, which the OAG will adopt starting July 1, 2025. To prepare for these changes, the OAG will conduct an internal conformance readiness assessment. This assessment will help the office align with the new standards by evaluating current practices against the new requirements and identifying any gaps that need to be addressed.



FY25 Annual Audit Plan

The FY25 Annual Audit Plan was approved by the LA&P Committee on June 20, 2024. To create the plan, the OAG engaged with over 30 LCPS administrators from the Cabinet and senior management to establish an audit universe. Following its development, the Auditor General presented the audit universe to the LA&P Committee for selection and approval of audit engagements. This risk-based plan may be adjusted throughout the year to accommodate shifts in strategic priorities and emerging risks.

Fiscal Year 2025 Annual Audit Plan

Engagement Title	Preliminary Engagement Objective
IT Third-Party Risk Audit	Evaluate the risk exposures associated with IT third-party vendors.
Audit of LCPS Staff Support and Advocacy Resources	Evaluate the availability and communication methods of staff support and advocacy resources.
LCPS Transportation Management Audit	Evaluate student transportation controls and practices.
"Jefferson Contracts" Administration	Evaluate the controls over the administration of "Jefferson Contracts" and assess if the utilization of these contracts warrants additional FTEs.
Registrar Information Management and Data Integrity	Evaluate controls and practices of registrar data collection.
School Board and Staff Communication	Evaluate the effectiveness of the framework design of communication and information sharing practices between LCSB and LCPS Administration.
Security - Pass and ID Badging Audit	Evaluate the design adequacy of staff badging access security systems.



“My Concern Is” Hotline

LCPS is dedicated to maintaining the highest ethical standards and preventing fraudulent or dishonest practices that could lead to waste or misuse of its resources. To support this commitment, the Office of the Auditor General (OAG) has launched a proactive initiative to address fraud, waste and abuse.

Launched in January 2023 and managed by the OAG, the "My Concern Is" Hotline provides a 24/7 anonymous platform for parents, staff and community members to report suspected fraud, misuse of LCPS property, unethical behavior, and other workplace issues. The hotline's goal is to ensure adherence to relevant laws, LCPS rules, and division policies. Since being launched the hotline has received 13 concerns. Of the 13 reports received, nine have been resolved, while four remain unresolved, meaning they are still under consideration and have not yet reached a conclusion.

Call the “My Concern Is” Hotline: 571-252-2488
Or Email: FraudWasteAbuseHotline@lcps.org

