



Fairfax County Public Schools Internal Audit Office

**Human Resources Office of Salary Services
Petty Cash Audit for Fiscal Year 2006**

November 2007

"promoting an efficient & effective school division"

Executive Summary

Our review of the Human Resources, Office of Salary Services petty cash account revealed that internal controls were adequate. In general, expenditures appeared reasonable, properly approved, and supported by adequate documentation. In addition, custodial records agreed with the information maintained by the Office of Finance. The petty cash fund appeared to be in compliance with Regulation 5210.5 School Board Petty Cash Funds (effective 06-17-02). Areas where controls could be strengthened in the future are:

- Monthly petty cash funds should be submitted on time
- Paid receipts should be marked "paid" to prevent reuse
- Checks exceeding 180 days should be voided

Additionally, we are recommending that closure of the fund be considered.

Background

Reimbursement for small expenditures is commonly accomplished by establishing a petty cash fund requiring checks issued periodically to replenish the fund to agree with the amount of disbursement from the fund. Section 22.1-123 of the Code of Virginia authorizes local school boards to establish petty cash funds to help principals and program managers make purchases. Petty cash funds shall be established at dollar levels consistent with user needs, however, they may not exceed \$2,000 per fund.

The Office of Finance, Accounting Section, is responsible for monitoring the monthly report of transactions for each petty cash fund and consolidating these reports to present a single report to the school board for approval in accordance with section 22.1-123 of the Code of Virginia. In addition, Regulation 5210.5 requires annual audits of the funds which helps encourage compliance and promote a strong internal control environment.

The Human Resources, Office of Salary Services petty cash fund was established for \$1,500. The fund was measured both by its dollar value and the number of times it turned over in a given period. For the period under review, there were a total of 176 expenditures totaling \$5,022.84, resulting in a petty cash fund turnover of 3.35 times.

Scope and Objectives

This audit was performed as part of our fiscal year 2007 Annual Audit Plan. The audit covered the period of July 2005 to June 2006 and was conducted in accordance with generally accepted government auditing standards. Our objectives were to determine that:

- Petty cash funds were being used in accordance with Regulation 5210.5
- The balance of the funds on hand, checkbook balances, and unreimbursed vouchers agreed with the Office of Finance and FAMIS records
- The primary and alternative custodians of record agreed with that listed in the Office of Finance

Methodology

Audit methodology included a review and analysis of internal control procedures, petty cash vouchers, and checking account balances. Our audit approach included an examination of disbursements, records maintained in the department, bank statements, interviews of appropriate employees, and a review of applicable regulations and procedures. We obtained a listing of authorized petty cash fund reimbursements from the Office of Finance and therefore did not rely on the system generated information.

The FCPS Office of Internal Audit is free from organizational impairments to independence in our reporting as defined by generally accepted government auditing standards. We are organizationally part of the Office of the Superintendent and report directly to the Audit Committee. Organizationally, we are outside the staff or line management function of the units that we audit. We report the results of our audits to the management of the department under review, the appropriate leadership team member, the Superintendent, and the Audit Committee, and reports are available to the public.

Findings, Recommendations, and Management Response

1. Monthly Reports Not Timely

Monthly reports for 3 of the 12 months reviewed were submitted 1 to 2 months late. Regulation 5210 requires that a monthly report of all petty cash fund activity be forwarded to the Department of Financial Services, Accounting Section, by the due date. The due dates are established at the beginning of each year by the Accounting Section and are typically around mid-month.

Recommendation: Monthly reports should be submitted on time in accordance with Regulation 5210.

Management Response: Reports will be submitted within the guidelines provided with an anticipated completion date of July 2007.

2. Receipts are not cancelled upon receipt

Receipts submitted for reimbursement were not cancelled upon payment for 130 of 176 expenditures reviewed. Petty cash expenditures submitted for reimbursement should always be supported by original documentation which is cancelled upon payment to prevent duplicate payments. Receipts not marked "paid" may inadvertently or intentionally be reused resulting in a duplicate payment.

Recommendation: Petty cash custodians should cancel all documents submitted for reimbursement by stamping or writing "paid" on each receipt.

Note: This issue was also noted in the previous petty cash audit report which was issued to the Office of Finance. Subsequently, the Office of Finance notified all petty

cash custodians of this requirement and has revised the regulation to include this requirement. However, the revised regulation was not in effect during the audit period. The Office of Salary Services began canceling receipts consistently in mid-March; therefore, a management response was not requested for this issue.

Management Response: Response not required for this issue.

3. Checks exceeding 180 days remained outstanding and “void after 180 days” was not indicated on checks

As of June 30, 2006, there were 3 checks, totaling \$31.10, which had been issued in 2004 and 2005. Regulation 5210 requires that checks exceeding 180 days be voided and added back to the fund balance. In addition, checks were not preprinted with “void after 180 days” indicated on the face of checks.

Note: As of April 2007, outstanding checks had been cleared.

Recommendation: Checks exceeding 180 days should be voided and added back to the fund balance and “void after 180 days” should be preprinted on all future check orders in accordance with Regulation 5210.

Management Response: Checks will be cleared within the established guidelines with an anticipated completion date of July 2007.

Other Observations

Petty cash funds were originally established when the methods of procurement were limited and usually required the use of a purchase order. With the implementation of the FCPS credit card program, there is an efficient, less time consuming, alternative to petty cash. Our review did not find evidence that an alternative method would be inappropriate. Therefore, unless sufficient evidence can be provided to the contrary, we recommend that consideration be given to closing the petty cash fund.

Management Response: The Department of Human Resources will be discussing options around the use of petty cash. The anticipated completion date is January 2008.