



# **Fairfax County Public Schools Internal Audit Office**

**Department of Student Services and Special Education  
Petty Cash Audit for Fiscal Years 2006 and 2007**

**October 2007**

*"promoting an efficient & effective school division"*

## Executive Summary

The Department of Student Services and Special Education (DSSSE) had two established petty cash funds. On January 8, 2007, a memorandum requesting the closure of one of the funds and confirming delivery of a check for the authorized amount was submitted to the Department of Financial Services Office of Finance. The second account remains open.

Our review of the DSSSE petty cash accounts revealed that in general, internal controls appeared adequate. Expenditures appeared reasonable and supported by appropriate documentation. The petty cash fund overall appeared to be in general compliance with Regulation 5210. Areas where controls could be improved were:

- Reimbursement request forms should be properly completed, supported by adequate documentation, and properly approved
- Signature cards for responsible individuals should be updated and submitted to the Office of Finance
- Monthly reports should be submitted in a timely manner
- Checks should state "void after 180 days" and check stock should be properly controlled

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

## Background

Reimbursement for small expenditures is commonly accomplished by establishing a petty cash fund requiring that checks issued periodically to replenish the fund agree with the amount of the 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 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 requires annual audits of the funds which helps encourage compliance and promote a strong internal control environment.

The two DSSSE petty cash funds were each established for \$2,000, for a total of \$4,000. The petty cash funds were measured by both dollar value and the number of times they turned over in a given period. For the period under review one fund had 202 expenditures totaling \$9,310.34 resulting in a fund turnover of 4.66 times. The second fund, which was closed in January, 2007, had 29 expenditures totaling \$1,299.16, resulting in a fund turnover of 0.65 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 January 2007 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
- The balance of funds on hand, checkbook balances, and unreimbursed vouchers agreed with Office of Finance and FAMIS records
- The primary and alternate custodians of record agree with that listed in the Office of Finance
- Proper close-out procedures were performed

## 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 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. Reimbursements were not adequately supported

Documentation submitted for 6 of the 231 reviewed were inadequate to support reimbursed amounts in accordance with Regulation 5210.

Regulation 5210 states that all transactions shall be recorded and properly documented, and supporting invoices, sales tickets, cash register tapes, order forms, etc. shall be retained. Inadequate documentation increases the risk of disbursing funds for unauthorized expenditures.

**Recommendation:** Reimbursement requests should be adequately supported by appropriate documentation in accordance with Regulation 5210.

**Management Response:** All requests for reimbursement require an original sales receipt. Management indicates this has been completed.

## **2. Reimbursement requests were not properly approved**

Of the 231 reimbursements reviewed, 69 were not properly approved. 5 requests were not approved by the program manager and 64 requests were not signed by the petty cash custodian for this period.

Regulation 5210 requires that the petty cash reimbursement requests be signed by the custodian or assistant custodian and the program manager.

**Recommendation:** Approval by the program manager and petty cash custodian should be evidenced on all reimbursement requests in accordance with Regulation 5210.

**Management Response:** All requests for reimbursement are currently signed by both program manager and custodian. Management indicates this is currently in process.

## **3. Receipts were not cancelled upon payment**

Receipts submitted for reimbursement were not cancelled upon payment for 152 of 231 expenditures reviewed.

Petty cash expenditures submitted for reimbursement should always be supported by original documentation which should be cancelled upon payment to reduce the possibility of duplicate reimbursements. Receipts already paid could be misplaced after payment or removed purposely to seek reimbursement for the same receipt more than once.

**Recommendation:** Petty cash custodians should cancel all receipts submitted for reimbursement by stamping or writing "paid" on each receipt in accordance with Regulation 5210.6.

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 has revised Regulation 5210, effective 11-28-06, to include this requirement. DSSSE began canceling receipts upon notification by the Office of Finance. Therefore, a management response was not requested for this issue.

**Management Response:** Response not required for this issue.

#### 4. Signature card not on file for fund custodian

A signature card (FS-126) could not be located for the petty cash custodian in DSSSE in the Department of Financial Services, Accounts Payable Section signature card file records.

Regulation 5210 states that approved signature cards bearing the signatures of the custodian and assistant custodian shall be maintained on file in the Department of Financial Services, Accounts Payable Section. Missing signature cards for designated staff responsibilities does not permit a reference to authorized signatures on petty cash transaction documentation to ensure proper approvals are obtained.

**Recommendation:** DSSSE should complete and submit, to the Department of Finance, Accounts Payable Section, updated signature cards for all employees with petty cash program manager and/or custodial responsibilities, such that a signature reference is on file in compliance with Regulation 5210.

**Management Response:** All signature cards required are on file per bank and FCPS Office of Finance.

#### 5. Monthly petty cash fund reports were not submitted in a timely manner

For one petty cash fund, the monthly report submissions to the Office of Finance were late for 7 of 12 months reviewed. The second fund reports were late 8 times. Regulation 5210 states that a monthly report of all petty cash fund activity shall 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:** Petty cash custodians should submit monthly petty cash fund reports in accordance with Regulation 5210.

**Management Response:** All petty cash reports are currently up to date and any future reports will be completed in a timely manner.

#### 6. Reimbursement requests were not properly completed

Form FS-70A, Petty Cash Reimbursement Request, was not properly completed for all reimbursements reviewed. Requests did not list the vendor, for whom the employee acquired purchased items, a description of the item, and in some cases the name of the employee requesting reimbursement on the FS-70A form.

Regulation 5210 states that petty cash reimbursement requests summarize expenditures by vendor, item description, dollar amount, and the budget code to be charged.

**Recommendation:** The petty cash reimbursement requests should be completed in accordance with Regulation 5210 and include the vendor and description of purchase.

**Management Response:** All petty cash and direct payment reimbursement requests are currently required to include all the information above. Any requests with missing items are returned to the requestor for completion.

## 7. Check stock is not adequately controlled

The remaining check stock for the closed fund has not been destroyed and has been not accounted for. However, since the account is closed the risk of loss or impropriety is minimal. Negotiable instruments should always be secured and accounted for. In the event of a closed account, blank check stock should be destroyed, witnessed, and documented.

**Recommendation:** DSSSE should make a concerted effort to account for and destroy the remaining supply of checks from the closed petty cash fund account. Once located, the checks should be shredded, witnessed, and documented that this procedure has been performed.

**Management Response:** Remaining check stock was destroyed via shredder, but not formally witnessed.

## 8. Check stock does not display “Void after 180 days”

The petty cash check stock provided by Wachovia Bank for the DSSSE petty cash fund does not specify “Void after 180 days” on the face of the checks

Regulation 5210 states that checks should display “void after 180 days”. Checks that have not been negotiated within 180 days of issuance are to be voided and added back to the petty cash fund balance.

**Recommendation:** On future check orders, DSSSE should request the bank to preprint the 180 day negotiability limit on its petty cash fund check stock in accordance with Regulation 5210.

**Management Response:** Will request statement be printed on any future check stock orders, but it is unlikely there will be a future order of check stock (see response below).

## 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 consideration be given to closing the remaining petty cash fund.

**Management Response:** DSS is currently already operating as if the account has been closed, with any remaining reimbursement requests being processed as direct payments, per agreement with Accounts Payable section, following similar requirements and procedures as petty cash reimbursement. It is anticipated the account will be formally closed after a few months of documented inactivity. The anticipated date of completion is January 2008.