



Fairfax County Public Schools Internal Audit Office

**Facilities Management Office
Petty Cash Audit Fiscal Years 2006 and 2007**

April 2007

"promoting an efficient & effective school division"

Executive Summary

The Facilities Management Office petty cash fund was closed in January 2007. On December 21, 2006, a memorandum indicating the closure of the account and a check for the authorized fund amount was submitted to the Department of Financial Services, General Accounting Section of Fairfax County Public Schools.

Our review of the petty cash account revealed that internal controls were adequate. Expenditures appeared reasonable, properly approved, and supported by appropriate documentation. In addition, custodial records agreed with the information maintained by the Office of Finance. The Facilities Management Office petty cash fund appeared to be in compliance with Regulation 5210.5 School Board Petty Cash Funds (effective 06-17-02), and Regulation 5210.6 School Board Petty Cash Funds (effective 11-28-06). Two areas where controls could be strengthened in the future are:

- Paid receipts should be marked "paid" to prevent reuse
- Check requests should be authorized prior to check issuance

As the fund has been closed, management responses were not requested. These areas were, however, discussed with appropriate personnel prior to report issuance.

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 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 Facilities Management Office petty cash fund was established for \$1,000. The petty cash 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 59 expenditures totaling \$3,726.30, resulting in a petty cash fund turnover of 2.37 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 through January 2007, the month the fund was closed, 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 agreed 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. Receipts are not cancelled upon payment

Receipts submitted for reimbursement were not cancelled upon payment for 39 of 59 expenditures reviewed. Petty cash expenditures submitted for reimbursement should always be supported by original documentation which is cancelled upon payment to prevent duplicate reimbursements. Receipts 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 documents submitted for reimbursement by stamping or writing "paid" on each receipt in accordance with Regulation 5210.

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.

Management Response: The petty cash fund was properly closed in January 2007 and issues were discussed with appropriate individuals. Management response was not requested.

2. Inappropriate approval

The check issue date was earlier than the date the expenditure was approved on the petty cash reimbursement form for 53 of 59 petty cash transactions reviewed.

Recommendation: Petty cash expenditures should be approved prior to submission for reimbursement in accordance with Regulation 5210.

Management Response: The petty cash fund was properly closed in January 2007 and issues were discussed with appropriate individuals. Management response was not requested.