



Fairfax County Public Schools Internal Audit Office

**Office of the Assistant Superintendent, Instructional Services (Leis Center)
Petty Cash Audit for Fiscal Year 2006**

April 2007

"promoting an efficient & effective school division"

Executive Summary

Our review of the Office of the Assistant Superintendent, Instructional Services, (Leis Center) petty cash account revealed that internal controls were adequate. In general, 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 petty cash fund appeared to be in compliance with Regulation 5210.5 School Board Petty Cash Funds (effective 06-17-02). Four areas where controls could be strengthened in the future are:

- Monthly petty cash fund reports should be submitted on time
- Paid receipts should be marked "paid" to prevent reuse
- Program managers should indicate the date of their approval
- 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 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 help encourage compliance and promote a strong internal control environment.

The Office of the Assistant Superintendent, Instructional Services, petty cash fund was established for \$2,000. 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 328 expenditures totaling \$16,718.04, resulting in a petty cash fund turnover of 8.36 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 1, 2005 through June 30, 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 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 those 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 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 petty cash fund reports were not submitted in a timely manner

Monthly reports for 10 of the 12 months reviewed were submitted 5 to 49 days late. 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: Since July 2006, petty cash reports have been submitted on time, with one exception due to the bank statement arriving late. The February 2007 report is being delayed while the Quicken software is upgraded. A calendar highlighting petty cash due dates will be developed. Management has indicated that this has been completed.

Note: The Office of Internal Audit reviewed the petty cash calendar and noted on-line Outlook reminders for employees. Additionally, Office of Financial Services, Accounting Section, verified that the most recent reports have been submitted timely. Further follow up is not required for this item.

2. Receipts are not cancelled upon payment

Receipts submitted for reimbursement were not cancelled upon payment for 255 of 328 (78%) 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 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 Regulation 5210.6, effective 11-28-06, to include this requirement. However, the revised regulation was not in effect during the audit period. The Office of the Assistant Superintendent, Instructional Services, 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.

3. Program manager approvals were not consistently dated

While program manager approval was obtained, there was no evidence of the timing of the approval for 25 of 328 (8%) transactions reviewed as the program manager did not date the approval. Regulation 5210 states that program manager approval be obtained prior to disbursement of funds.

Recommendation: Petty cash expenditures should be approved and dated by the program managers prior to submission for reimbursement in accordance with Regulation 5210.

Management Response: All petty cash reimbursement requests are properly approved with program manager signatures. However, program managers are human and sometimes forget to date the forms. The IS Finance Office has been lenient with this requirement given that the amounts involved are not material. Program managers will be reminded of the requirement, via email, and requests not properly dated will not be honored. The estimated date for completion is March 2007.

Note: The Office of Internal Audit verified that the requirement for signing and dating requests was communicated during a director's meeting and via a follow up email. The email was reviewed and it indicated that forms must be signed and dated. The email also indicated that requests not properly signed and dated will be returned. Further follow up is not required for this issue.

4. Checks exceeding 180 days remained outstanding

As of June 30, 2006, there were 7 checks, totaling \$164.81, ranging from 198 to 485 days outstanding. Regulation 5210 requires that checks exceeding 180 days be voided and added back into the fund balance.

Recommendation: Petty cash custodians should void all checks exceeding 180 days in accordance with Regulation 5210. Additionally, printed checks should contain the words “void after 180 days”.

Management Response: The IS Finance Office was under the impression that governmental checks could not be voided. Rather, they had to be submitted to the State of Virginia as “Unclaimed Property” per communications from the Accounts Payable. All checks over 180 days have been voided as of 2/28/2007. A monthly review of outstanding checks will be performed and all checks reaching 180 days outstanding will be voided 5-10 business days after. Management has indicated that this has been completed.

Note: The Office of Internal Audit reviewed the most recent bank reconciliation and noted that all checks exceeding 180 days were cleared. Further follow up is not required for this issue.

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 the Office of the Assistant Superintendent, Instructional Services consider closing the petty cash fund.

Management Response: Closing the account is not feasible at this time. The option to close the petty cash account will be re-evaluated within six months. The estimated date for completion is September 2007.