



Fairfax County Public Schools Internal Audit Office

**Office of Transportation Services (Lorton Center)
Petty Cash Audit for Fiscal Year 2006**

July 2007

"promoting an efficient & effective school division"

Executive Summary

Our review of the Office of Transportation Services (Lorton Center) petty cash fund 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). While there were no significant issues noted during the audit, 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 disbursements 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 reports 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 to encourage compliance and promote a strong internal control environment.

The Office of Transportation Services 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 121 expenditures totaling \$8,350.74, resulting in a petty cash fund turnover of 8.35 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 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 and copies of their signatures were on file

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

There were no significant issues noted during the audit.

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. In addition to the credit card, there are other alternate methods for procurement and reimbursement available. Therefore, unless sufficient evidence can be provided to the contrary, we recommend the Office of Transportation Services consider closing the petty cash fund.

Management Response: Will follow up with accounting on replacing petty cash with credit cards. The number of cards needed, limits, and procedures and controls for a decentralized operation must be established with help from accounting. The estimated date of completion is September 2007.