



MEMORANDUM

DATE: February 19, 2020

TO: Audit Committee of the School Board of the City of Virginia Beach

FROM: Terrie L. Pyeatt, CPA *TL*
Director, Office of Internal Audit

**SUBJECT: Change in Principal School Activity Funds Audit
Adult Learning Center – Exceptions Noted**

The school activity funds of Adult Learning Center were audited for the four-month period from July 1, 2019 to October 31, 2019. The primary purpose of the audit was to determine if cash balances were properly stated as of October 31, 2019, but an important secondary purpose was to determine the level of compliance with policies and procedures. This report details the items the Office of Internal Audit (IA) noted at the school that were in direct conflict with Virginia Beach City Public Schools (VBCPS) policies and procedures and/or best practices but do not have a material effect on the financial statements.

Audit results are based on School Board policies and regulations, accounting procedures, and proper internal controls. Audit results have been included in this report and were reviewed with the principal. The following items were examined during the audit:

Cash Receipts

- Controls and safeguards over cash receipts;
- Timeliness of deposits;
- Collections by staff and the timely transmittal of these receipts to the bookkeeper; and
- A sample of receipts for accuracy and compliance with policies, regulations, and procedures.

Cash Disbursements

- Canceled checks for proper signatures;
- Procurement for compliance with policies, regulations, and procedures; and
- A sample of expenditures for proper supporting documentation and compliance with policies, regulations, and procedures.

Other Areas

- Fund transfers for proper use;
- Other accounts as to the purpose, source, and use of funds; and
- Analysis of the financial statement.

The following discrepancies were noted during the audit:

Exception No. 1: Accounting Software

The accounting software has significant weaknesses (this was noted previously on the 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, and 2008 audits).

- The system does not automatically sequence checks. While the actual checks themselves are pre-numbered, the bookkeeper must manually enter the check number in the system.
- The bookkeeper is unable to issue a system-generated receipt to staff members. When staff collects funds, the bookkeeper must issue a handwritten receipt from a receipt book to the staff member.
- The system is not “closed” on a monthly or yearly basis.
- The bookkeeper is unable to generate invoices or purchase orders from the software. The bookkeeper uses a Microsoft Word document to create purchase orders and invoices, which are not entered in the system. The bookkeeper must manually track the last purchase order number or invoice used and must manually track open purchase orders and invoices.

A portion of the accounting/registration software will no longer be supported by the Department of Technology (DOT). A short-term extension was arranged with DOT to support the software for four months beginning in January 2020. According to the Director, the Adult Learning Center is working with the Office of Business Services and the Office of Purchasing Services to identify replacement software solutions.

Exception No. 2: Late Payment

A payment of \$547.00 was made on 10/31/19 for an invoice dated 8/27/19 for goods received on 9/10/19. In general, payment is due within 45 days of the invoice date or receipt of goods, whichever is later.

Exception No. 3: Incomplete Documentation

Supporting documentation for a disbursement of \$2,291.64 did not include an invoice. Payment was made using a statement as supporting documentation. In general, invoices should be included in the supporting documentation for vendor payments.

cc: Dr. Joey H. Phillips, Director
Mr. Daniel F. Keever, Senior Executive Director of High Schools
Dr. Donald E. Robertson, Jr., Chief Schools Officer

Ms. Crystal M. Pate, Director, Office of Business Services
Mr. Farrell E. Hanzaker, Chief Financial Officer