



**MEMORANDUM**

**DATE:** December 21, 2022

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

**FROM:** Karen W. Woodson, CIA <sup>KW</sup>  
School Board Internal Auditor, Department of Internal Audit

**SUBJECT:** Annual Cash Disbursements Audit

---

**BACKGROUND**

As part of the 2022 Audit Work Plan, the Department of Internal Audit (IA) has performed an Annual Cash Disbursements Audit.

Departments, offices, and schools (User) can initiate a cash disbursement in two ways. Users can request a cash disbursement using a payment request or by requesting a payment to be made against a purchase order. Both methods flow through BuySpeed, the procurement and payment processing system used by Virginia Beach City Public Schools (VBCPS). Similar approvals and reviews are required for both methods.

When using a purchase order, the Signature Authority gives approval at the purchase requisition stage. The User enters the item they want to buy into BuySpeed, which starts the automated workflow. The workflow approval should include the Signature Authority for the assigned cost center. The Signature Authority reviews the requisition to ensure that the purchase is warranted. It then flows to the Accounts Payable division (AP) of the Office of Business Services (OBS), which reviews the account code and ensures that it was approved by the Signature Authority. The workflow approval then goes to the Office of Purchasing Services (Purchasing). Purchasing ensures that all procurement requirements are met before converting the purchase requisition into a purchase order to order the item. Once the User receives the item, the User enters an electronic receipt in BuySpeed. The vendor usually sends the invoice directly to AP, who ensures that the dollar amount matches the electronic receipt and the purchase order. BuySpeed uses a 3-way match for purchase order payments. If the purchase order, electronic receipt, and invoice match in BuySpeed, the approved purchase order payment is automatically uploaded to Oracle Cloud, VBCPS's financial system.

Alternatively, when using a payment request, the User obtains the item directly from the vendor without using a purchase requisition. After the User receives the item ordered, they enter the request to pay the invoice into BuySpeed and start the automated approval

process, including the Signature Authority for the assigned cost center. The Signature Authority reviews the payment request to ensure that it matches the invoice. It then flows to AP, who reviews the account code, Signature Authority approval, and confirms that the vendor name and amount match the invoice. If they match, AP approves the transaction for payment in BuySpeed.

Under either method, BuySpeed-approved payments are uploaded into Oracle Cloud. The Treasurer for the City of Virginia Beach uses the data in Oracle Cloud to make payments for VBCPS. VBCPS should upload all approved invoices into Oracle Cloud for payment within 45 days of the invoice date or the receipt of the goods and/or services.

### **AUDIT OBJECTIVES, METHODOLOGY, RESULTS, AND CONCLUSIONS**

Internal Audit reviewed 50 non-payroll invoices greater than \$500 but less than \$20,000 that had an effective date in Oracle Cloud of October 2021 – September 2022. Inquiry and examination of documents and data, as well as interviews, were the methods of reviewing internal controls for this limited-scope audit.

OBS provided IA with Excel files containing all AP-approved invoices. The files contained over 7,400 unique invoice numbers with effective dates during the audit period. IA judgmentally selected 50 invoices from the files. IA selected them judgmentally so that there would be a variety of invoices across the division without selecting multiple invoices from the same vendor while including invoices across several funds and cost centers. The results cannot be extrapolated to the entire population. IA examined accounts payable procedures, VBCPS records, Oracle Cloud general ledger, BuySpeed, and Laserfiche records for the 50 cash disbursement invoices. The audit objectives, methodology, results, and conclusions are as follows:

1. Objective:

Review and analyze 50 transactions to determine if the Signature Authority approved the purchase.

Methodology:

IA examined the workflow approval path in BuySpeed to determine if the purchases were approved by the Signature Authority.

Results:

50 of the 50 workflow approval paths reviewed in BuySpeed indicate that the purchases were approved by the Signature Authority.

Conclusion:

All purchases were approved by the Signature Authority.

2. Objective:

Review and analyze 50 invoices to determine if the items purchased were reasonable based on the function of the department/school/office and were coded to the correct general ledger account.

Methodology:

IA used source documents in BuySpeed to determine if the invoices appeared reasonable based on the function of the school/department/office placing the order and reviewed the general ledger account code charged in Oracle Cloud to determine if it was reasonable based on the purchase.

Results:

Source documents for 50 of the 50 invoices reviewed appeared reasonable and were coded to the correct general ledger accounts.

Conclusion:

All items purchased were reasonable based on the function of the department/school/office and were coded to the correct general ledger account.

3. Objective:

Review and analyze 50 invoices to determine if the final approval for payment was received within 45 days of the invoice date, or the date the goods or services were received.

Methodology:

IA compared the final approval dates to the invoice date or the receipt of goods or services, whichever is later. IA obtained the actual payment dates for invoices coded to the end of the fiscal year and any that appeared to be paid late.

Results:

50 out of the 50 invoices reviewed received the final approval within 45 days of the invoice date.

Conclusion:

All invoices received the final approval for payment within 45 days of the invoice date or the date the goods were received.

4. Objective:

Review and analyze 50 invoices to determine if the approved payment amount and vendor match the invoice.

Methodology:

IA compared the payee and dollar amount of invoices from Oracle Cloud to the source documents in BuySpeed. IA compared the electronic receipt and invoice in BuySpeed for payments made against a purchase order to determine if they match.

Results:

The payee and dollar amount for 50 of the 50 invoices reviewed matched the source documents in BuySpeed. The electronic receipt and invoice matched any payments made against a purchase order for 49 of the 50 invoices reviewed.

Conclusion:

All invoices reviewed matched the approved payment amount and vendor. Substantially all electronic receipts and invoices matched the payments made against a purchase order.

5. Objective:

Review and analyze 50 transactions to determine if the invoice amount matches any contracts referenced in BuySpeed, if applicable, and procurement guidelines were followed for invoices over \$10,000.

Methodology:

IA compared applicable invoices from BuySpeed to the terms and conditions of the contracts in BuySpeed and ensured the approval path in BuySpeed included Purchasing for any invoices over \$10,000.

Results:

All invoices reviewed, if applicable, matched the terms of the contract. All except one invoice reviewed included Purchasing on the approval in BuySpeed, if applicable, for any invoices over \$10,000.

Conclusion:

All invoices matched contracts referenced in BuySpeed, if applicable. Substantially all procurement guidelines were followed for invoices over \$10,000.

## AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The results of the audit were discussed with management. We thank management and staff of the Office of Business Services and others that were contacted for their cooperation throughout the audit.

cc: Crystal M. Pate, Chief Financial Officer  
Natalie N. Allen, Chief Communications and Community Engagement Officer  
Jack D. Freeman, Chief Operations Officer

## AUDIT RESULTS AND MANAGEMENT'S RESPONSES

### **Finding No. 1: Payment Over \$10K Not Submitted for Review**

The Department of Communications and Community Engagement (DCCE) made a payment of \$11,428.75 for wi-fi without a contract referenced in BuySpeed or Purchasing approval. Per the *Business Manual for Central Offices*, Section 9.2, payments over \$10,000, without a contract, must be reviewed by OBS and Purchasing. DCCE stated they did not have a current contract in place with the vendor and they did not send the invoice to Purchasing for review prior to payment. Purchasing stated they do not review payment requests in BuySpeed. OBS does not have a formal process in place to ensure that payment requests over \$10,000 have a current contract or are approved by Purchasing. Vendor payments over \$10,000 made without Purchasing approval could lead to non-compliance with procurement laws and regulations.

### ***Recommendations:***

We recommend DCCE follow guidance for vendor payments over \$10,000. We also recommend that OBS ensure all vendor payments over \$10,000 have a contract in place or are reviewed by Purchasing.

### ***Management's Response:***

The Chief Communications and Community Engagement Officer (CCCE) concurs. DCCE will follow applicable guidance going forward for vendor payments over \$10,000. The Chief Financial Officer (CFO) concurs. OBS will ensure that all vendor payments over \$10,000 have a contract in place or are reviewed by Purchasing.

## ITEMS NOTED AND MANAGEMENT'S RESPONSES

### **Items Noted No. 1: Receipting Process**

An invoice for \$15,996.00 showed that 1,000 light bulbs were purchased; however, the BuySpeed receipt indicated that 500 light bulbs were received. The Office of Maintenance Services (Maintenance Services) stated the vendor was in the process of updating their invoicing and inventory system at the time of the purchase. Per *School Board Policy 3-36, Receiving/Paying for Goods and Services*, all goods received must be accepted by a School Division employee authorized to certify that all goods were received in good condition before payments can be approved. Maintenance Services stated the invoice showed 1,000 single light bulbs were purchased; however, the receipt in BuySpeed is for 500, 2-packs of light bulbs. Once the office receipts the goods, AP compares the invoice's total dollar amount to the total dollar amount receipted in BuySpeed. Incomplete review of the quantity invoiced to the quantity received can lead to underpayment/overpayment for goods and/or create an opportunity for theft.

### ***Recommendations:***

We recommend Maintenance Services remind their staff to ensure the quantity of goods received matches the quantity invoiced when receipting items.

### ***Management's Response:***

The Chief Operations Officer (COO) concurs. Maintenance Services will send a reminder to staff to ensure the quantity of goods received matches the quantity on the invoice when receipting items by January 31, 2023.