



MEMORANDUM

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

FROM: Karen W. Woodson, CIA, CFE ^{KW}
School Board Internal Auditor, Department of Internal Audit

SUBJECT: Annual Cash Disbursements Audit

DATE: December 1, 2023

BACKGROUND

As part of the 2023 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 or Oracle, the procurement and payment processing systems 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/Oracle, 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 Procurement Services (Procurement). Procurement 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/Oracle. The vendor usually sends the invoice directly to AP, who ensures that the dollar amount matches the electronic receipt and the purchase order. BuySpeed/Oracle uses a 3-way match for purchase order payments.

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/Oracle and start the automated approval

BACKGROUND, CONTINUED

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's name and amount match the invoice. If they match, AP approves the transaction for payment.

BuySpeed-approved payments are uploaded into Oracle. Oracle-approved payments are maintained in Oracle. The Treasurer for the City of Virginia Beach uses the data in Oracle to make payments for VBCPS. VBCPS should upload all approved invoices 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 of October 2022 – August 2023. 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 6,300 unique invoice numbers with effective dates during the audit period. IA judgmentally selected 50 invoices from the files. IA selected the invoices 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 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/Oracle to determine if the purchases were approved by the Signature Authority.

Results:
50 of the 50 workflow approval paths reviewed in BuySpeed/Oracle 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.

AUDIT OBJECTIVES, METHODOLOGY, RESULTS, AND CONCLUSIONS, CONTINUED

Methodology:

IA used source documents in BuySpeed/Oracle 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 to determine if it was reasonable based on the purchase.

Results:

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

Conclusion:

All items purchased were reasonable based on the function of the department/school/office, and all 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 payment approval dates to the invoice date or the date of 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:

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

Conclusion:

Substantially 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 to the source documents in BuySpeed/Oracle. IA compared the electronic receipt and invoice in BuySpeed/Oracle for payments made against the 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/Oracle. The electronic receipt and invoice matched payments made against the purchase order for 50 of the 50 invoices reviewed.

Conclusion:

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

AUDIT OBJECTIVES, METHODOLOGY, RESULTS, AND CONCLUSIONS, CONTINUED

5. Objective:

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

Methodology:

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

Results:

All invoices reviewed, if applicable, matched the terms of the contract. All invoices over \$10,000 had the required approval in BuySpeed/Oracle.

Conclusion:

All invoices matched contracts referenced in BuySpeed/Oracle, if applicable. 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 who were contacted for their cooperation throughout the audit.

cc: Crystal M. Pate, Chief Financial Officer
Nicole Livas, Chief Communications and Community Engagement Officer
Danielle E. Colucci, Chief Academic Officer

AUDIT RESULTS AND MANAGEMENT'S RESPONSES

Finding No. 1: Timeliness of Payments

Two disbursements of the 50 tested were paid late.

- An invoice for \$23,351.60 dated 7/2/22 for music instruments was not paid until 3/3/23. This invoice was paid late because the receiving information was incorrect, and the office did not promptly follow up with the vendor.
- An invoice for \$9,122.19 dated 10/6/22 for a project management subscription service was not paid until 12/21/22. This invoice was paid late because the payment request was not submitted promptly, and once it was submitted, it did not include the required documentation.

In general, payment is due within 45 days of the invoice date or the receipt of goods, whichever is later.

Recommendations:

Internal Audit recommends that:

- The Office of K-12 and Gifted Programs remind staff to monitor the verification and receipt of goods and to follow up with the vendor as necessary so that payments are made timely.
- The Department of Communications and Community Engagement remind staff to submit requests for payment timely, including the required documentation.

Management's Response:

The Chief Academic Officer (CAO) concurs, noting that this payment was made under the leadership of the former CAO and former Director of K-12 and Gifted Programs. The CAO will immediately provide a reminder to staff to monitor the verification and receipt of goods and to follow up with vendors when necessary, so that payments are made timely.

- *IA noted that the CAO provided guidance to staff members in November 2023, prior to the issuance of the report.*

The Chief Communications and Community Engagement Officer concurs. The Department of Communications and Community Engagement will immediately provide a reminder to staff to process requests for payment timely, including the required documentation.