

**Virginia Beach
City Public
Schools**

Annual Report

For the Calendar Year Ended
December 31, 2023

**Department of
Internal Audit**

Introduction	1
Annual Audit Administration	3
Risk Assessment	7
Calendar Year 2024 Audit Work Plan	8

Introduction to the Department of Internal Audit

Description

The Department of Internal Audit provides financial and performance audit services to the School Board. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve operations. It provides a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Department of Internal Audit has four full-time staff members:

Karen W. Woodson
CIA, CFE
School Board Internal Auditor

Kasey R. MacFarlane
CIA, CFE
Internal Auditor

Sarah H. Branch
Internal Auditor

Amy M. Babines
Executive Office Associate I

Objectives and Responsibilities

The overall objective of the Department of Internal Audit is to assist all members of the Virginia Beach City Public Schools' (VBCPS) administration and the School Board in the effective discharge of their responsibilities by providing them with objective analyses, appraisals, recommendations, and pertinent audit comments concerning activities reviewed. These activities may include the following, not all-inclusive:

- Reviewing and appraising the soundness, adequacy, and application of accounting, financial, and other operating controls, and promoting an effective system of internal controls at a reasonable cost;
- Ascertaining the extent of compliance by VBCPS and its employees with state and federal laws and regulations, Virginia Board of Education regulations, School Board policies and regulations, and established procedures;
- Detecting fraud within the scope of each audit;
- Ascertaining the reliability of financial data;
- Recommending operating improvements; and
- Determining whether an office or function is achieving its mission, goals, and objectives in an effective manner.

Standards of Practice

The Department of Internal Audit follows the *Government Auditing Standards* promulgated by the Comptroller General of the United States, Government Accountability Office. In accordance with these standards, the Department of Internal Audit makes performance reports and financial reports available to the general public by posting them to the vbschools.com website at: [Reports - Virginia Beach School Board \(vbschools.com\)](http://vbschools.com)

Reporting Responsibilities

The Department of Internal Audit reports directly to the Audit Committee, and through the Audit Committee, to the full School Board. As of December 31, 2023, the Audit Committee consisted of four full members and one ex-officio member:

Kimberly A. Melnyk
School Board Member

Audit Committee Chair

Jennifer S. Franklin
School Board Member

Audit Committee Member

Jessica L. Owens
School Board Member

Audit Committee Member

Larry W. Davenport
Community Member

Audit Committee Member

Trenace B. Riggs
School Board Chair

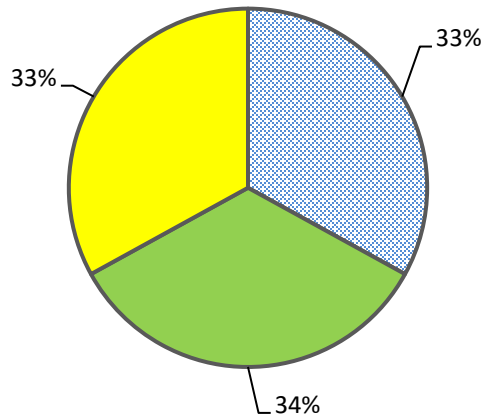
Ex-Officio Audit Committee Member

Annual Audit Administration

Results of Prior Year Audit Work Plan

The work performed by the Department of Internal Audit is guided by the Audit Work Plan, which is approved by the Audit Committee. The following chart provides a summary of the number of engagements completed during the period as well as the percent of hours spent on each engagement type.

Percent of Hours Spent by Engagement Type



■ 5 Financial Engagements ■ 5 Performance Engagements ■ 5 Investigative Engagements

Financial Engagements Completed

The following five financial engagements were completed during the twelve-month period ended December 31, 2023:

- **School Activity Funds Audit for Fiscal Year Ended June 30, 2023**
An annual financial audit of the school activity funds is mandated by School Board Policy 3-46, "Audits." The Department of Internal Audit completed the School Activity Funds Audit for eighty-six schools. The overall opinion was that the Statement of Cash Receipts and Disbursements was presented fairly, in all material respects, using the cash basis of accounting. A separate report was also issued detailing the items noted at the schools that conflicted with policies and procedures and/or best practices but did not have a material effect on the financial statement, including suggestions for improvements at forty schools.
- **Change in Bookkeeper School Activity Funds Audits**
The Department of Internal Audit completed Change in Bookkeeper School Activity Funds Audits at one elementary school and one middle school. The opinion was that the Statement of Cash Receipts and Disbursements were presented fairly, in all material respects, using the cash basis of accounting for the schools for the periods ended February 28, 2023, and January 31, 2023, respectively.

Financial Engagements Completed, Continued

- **Change in Principal School Activity Funds Audit**

The Department of Internal Audit completed Change in Principal School Activity Funds Audits at two elementary schools. The opinion was that the Statement of Cash Receipts and Disbursements were presented fairly, in all material respects, using the cash basis for accounting for the schools for the period ended January 31, 2023.

Performance Engagements Completed

The following five performance engagements were completed during the twelve-month period ended December 31, 2023:

- **Annual Cash Disbursements Audit**

The Department of Internal Audit conducted an audit on fifty non-payroll invoices greater than \$500 but less than \$20,000 with an effective date from October 2021 through October 2022. The objective of this audit was to determine for each of the invoices if:

- the signature authority approved the purchase;
- the items purchased were reasonable based on the function of the department/school/office and were coded to the correct general ledger account;
- the final approval for payment was received within 45 days of the invoice date, or the date the goods or services were received;
- the approved payment amount and vendor matched the invoice; and
- the invoice amount matched any contracts referenced in BuySpeed, if applicable, and procurement guidelines were followed for any invoices over \$10,000.

The opinion was that the fifty disbursements were properly processed, except one payment over \$10,000 was not submitted for review, and one invoice showed inconsistencies in the receipting process. We provided recommendations to further strengthen compliance with policies, procedures, and contractual agreements, as well as to strengthen internal controls and offer process improvements.

- **Bus Maintenance Audit**

The Department of Internal Audit performed a Bus Maintenance Audit. The audit period was January 1, 2022, through December 31, 2022. The objective of this audit was to determine:

- if VBCPS buses were being maintained in accordance with the VBCPS preventative maintenance and inspection program schedule;
- if bus drivers were in compliance with VBCPS pre-trip inspection policies;
- if VBCPS fleet technicians were licensed to complete Virginia State inspections; and
- if five buses had a Virginia vehicle registration and current Virginia State inspection on their bus on the date examined.

The opinion was that:

- VBCPS buses were being maintained in accordance with VBCPS preventative maintenance and inspection program schedules;

Performance Engagements Completed, Continued

- bus drivers were not in compliance with VBCPS pre-trip inspection policies;
- VBCPS fleet technicians were licensed to complete Virginia State inspections; and
- all buses reviewed had current Virginia State inspection documents, and substantially all had registration documentation on the bus.

We provided recommendations to further strengthen compliance with policies and procedures, as well as to strengthen internal controls and offer process improvements.

- **Expenditure Analysis – Glenwood Elementary School**

The Department of Internal Audit completed a nonaudit service related to the expenditures of Glenwood Elementary School. The objective of this project was to ensure that expenditures were properly processed. Internal Audit noted that expenditures were properly processed with a few exceptions. Because this project was not an audit, we did not express an opinion on the work performed, but we did meet with management to discuss the results of the work. This nonaudit service is performed each year on a judgmentally selected school.

- **Healthcare Claims Audit**

The Department of Internal Audit, in conjunction with the Virginia Beach City Auditor's Office, received an external audit report issued by a consultant, Healthcare Horizons Consulting Group, Inc. The consultant audited all healthcare claims processed by the City and Schools' health insurance provider, Optima, for paid dates during calendar year 2022. The consultant's opinion for this report, based on their experience, was that the audit results continue to represent an above-average performance by Optima in the administration of healthcare claims for the plan.

- **Expenditure Analysis – Office of Food Services**

The Department of Internal Audit completed a nonaudit service related to the expenditures of the Office of Food Services within the Department of School Division Services. The objective of this project was to ensure that expenditures were processed according to division requirements. Internal Audit noted that expenditures were processed according to division requirements with a few exceptions. Because this project was not an audit, we did not express an opinion on the work performed, but we did meet with management to discuss the results of the work. This nonaudit service is performed each year on a judgmentally selected office/department.

Investigative Engagements Completed

Five confidential investigative reports were issued during the twelve-month period ended December 31, 2023. These included the investigation of the following:

- Misuse of gift cards obtained through a fundraiser at an elementary school;
- Missing financial records at an elementary school;
- Possible money mismanagement at a middle school and high school; and
- Financial and procedural irregularities with a school program.

Teamwork and Professionalism

In accordance with government auditing standards, auditors may participate on committees or task forces in a purely advisory capacity to advise management on issues related to the knowledge and skills of the auditors without impairing their independence. However, auditors should not make management decisions or perform management functions. Auditors can provide routine advice to management to assist in activities such as evaluating internal controls or implementing audit recommendations and can answer technical questions and/or provide training.

The Department of Internal Audit provided other services during the twelve-month period ended December 31, 2023, as listed in the following table:

Description
<ul style="list-style-type: none">• Issued one summary schedule of school activity funds audited cash balances as of June 30, 2023. This schedule was used in preparation of VBCPS's Annual Comprehensive Financial Report;• Monitored the fraud, waste, and abuse hotline;• Served on outside organizations' boards and committees to assist in furthering the internal audit profession;• Met with VBCPS's external auditors to discuss the internal control environment at VBCPS;• Provided new elementary school principals fraud awareness training and lessons learned from the FY22 School Activity Funds Audit;• Conducted an off-site training for all bookkeepers on the internal audit process for the School Activity Funds Audit; and• Provided aspiring secondary principals an overview of the Internal Audit function, including common mistakes and fraud awareness training.

Risk Assessment

The level of risk associated with VBCPS varies across the auditable units. Auditable units are VBCPS departments, offices, and schools. In general, risk assessment is a three-step process including:

- Risk Identification – Determination of the risks
- Risk Measurement – Determination of the size of the risks
- Risk Prioritization – Determination of which risks are most important

For the Department of Internal Audit to effectively create its Audit Work Plan, a structured risk assessment methodology was created that allows Internal Audit to examine the level of risk of each auditable unit.

The Department of Internal Audit established eight factors to identify areas that are at high risk for audits, in addition to audits that are mandated. Internal Audit also interviewed multiple employees, identified the key objectives of their function/office, the things that could occur that would prevent their function/office from meeting its objectives, and the effect on VBCPS if the objectives are not met. Finally, Internal Audit evaluated this data and assigned an impact and likelihood assessment on each auditable unit. The areas/auditable units that ranked high in this assessment had a more likely chance of selection for the Audit Work Plan. Internal Audit selects those audits that can be completed by available staff during the year. The auditable units with higher risk assessments will be selected for audit on a more frequent basis, while the auditable units with lower risk assessments will be audited less frequently.

Risk Factors

Impact factors:

- Magnitude of revenue or expenses
- Impact of adverse publicity
- Loss/harm to people
- Failure to meet goals

Likelihood factors:

- Complexity of operations
 - Strength of internal controls
 - Known deficiencies or audit findings
 - Changes in systems, management, or procedures
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Calendar Year 2024 Audit Work Plan

The following summary represents the areas selected to be included in our Audit Work Plan for calendar year 2024. A general description of each audit/engagement follows the summary chart.

Audit Number	Audit Name	Page
2401	FY24 School Activity Funds Audit	9
2402	Annual Cash Disbursements Audit	9
2403	Expenditure Analysis – Virginia Beach Middle School	9
2404	Expenditure Analysis – Office of Student Leadership	10
2405	Remote Work Agreement Audit	10
2406	Ventilation Improvement Grant Audit	10
2407	Cafeteria Inventory Audit	11
2411	Healthcare Claims Audit	11
2450	Interim School Activity Funds Audit	9
2470	Continuous Auditing	11
2490	Investigations	11

Calendar Year 2024 Audit Work Plan, Continued

Title: 2401/2450-Series: School Activity Funds Audit
Department(s)/School(s): All schools/Department of School Leadership
Type: Performance Audit

Description:

The Department of Internal Audit will conduct a School Activity Funds Audit as of the year ending June 30, 2024, for each school and for those schools that have a midyear change in principal or bookkeeper in accordance with School Board Policy 3-46, "Audits" which states: "Internal Accounts of the individual schools shall be audited each year...and whenever there is a change in principal or bookkeeper."

Title: 2402: Annual Cash Disbursements Audit
Department(s)/School(s): All schools/All departments/Department of Budget and Finance
Type: Performance Audit

Description:

The Department of Internal Audit will conduct an Annual Cash Disbursements Audit for fifty cash disbursements processed by the Office of Business Services. The sample selection will focus on transactions between \$500 and \$50,000 and will include travel-related purchases. The audit will determine if each disbursement was processed according to division requirements for the office or school making the purchase, as well as at the central administration level.

Title: 2403: Expenditure Analysis – Virginia Beach Middle School
Department(s)/School(s): Virginia Beach Middle School/Department of School Leadership
Type: Nonaudit Service

Description:

The Department of Internal Audit will conduct a nonaudit service in which all non-salary/benefit expenditures recorded in Oracle Cloud for the selected school will be examined. Internal Audit will analyze the expenditures charged in one school location code and provide a summarization based on the type of expenditures. Internal Audit will also determine if each transaction was processed according to division requirements for the selected school. This nonaudit service is performed each year on a school chosen on a rotating basis.

Calendar Year 2024 Audit Work Plan, Continued

Title: 2404: Expenditure Analysis – Office of Student Leadership
Department(s)/School(s): Department of School Leadership
Type: Nonaudit Service

Description:

The Department of Internal Audit will conduct a nonaudit service in which all non-salary/benefit expenditures of a selected cost center and/or location code will be examined. Internal Audit will analyze the expenditures charged in one cost center and provide a summarization based on the type of expenditures. Internal Audit will also determine if each transaction was processed according to division requirements for the selected office. This nonaudit service is performed each year on an office/department chosen on a rotating basis.

Title: 2405: Remote Work Agreement Audit
Department(s)/School(s): Department of Human Resources
Type: Performance Audit

Description:

The Department of Internal Audit will conduct a Remote Work Agreement Audit. Internal Audit will determine if there are division employees who are working remotely without a remote work agreement.

Title: 2406: Ventilation Improvement Grant Audit
Department(s)/School(s): Department of Budget and Finance/ Department of School Division Services
Type: Performance Audit

Description:

The Department of Internal Audit will conduct a compliance audit on the Ventilation Improvement Projects Grant which was awarded by the Virginia Department of Education from the American Rescue Plan Act of 2021, Coronavirus State and Local Fiscal Recovery Funds. This will capture the activity not previously covered and will include the projects' final activities. Internal Audit will examine expenditures charged to the grant to ensure they are allowable under the grant requirements and will determine if the spending guidelines and local match are met. Procurement for this project will be examined, as applicable, to ensure that all requirements were followed.

Calendar Year 2024 Audit Work Plan, Continued

Title: 2407: Cafeteria Inventory Audit
Department(s)/School(s): Department of School Division Services
Type: Performance Audit

Description:

The Department of Internal Audit will conduct an audit of cafeteria inventories at select schools to determine if the inventories are accurately reflected in the inventory system.

Title: 2411: Healthcare Claims Audit
Department(s)/School(s): Department of Budget and Finance
Type: Performance Audit

Description:

The Department of Internal Audit, in conjunction with the Virginia Beach City Auditor's Office, coordinates an audit conducted by an external consultant. The consultant will audit all healthcare claims processed by the City and Schools' health insurance provider for calendar year 2023.

Title: 2470: Continuous Auditing
Department(s)/School(s): Various
Type: Nonaudit Services

Description:

The Department of Internal Audit will perform continuous auditing on a variety of areas. These areas may include transportation, payroll, accounts payable, procurement, safety-related items, etc.

Title: 2490: Investigations
Department(s)/School(s): Various
Type: Nonaudit Services

Description:

Upon notification or discovery of suspected fraud, the Department of Internal Audit will oversee and/or coordinate actions taken in investigating the suspected fraud in accordance with the Internal Audit Charter. Investigations consist of performing extended procedures necessary to determine whether fraud has occurred. It includes gathering sufficient evidence about the specific details of a discovered fraud. These investigations are sometimes a collaborative effort by internal auditors, compliance specialists, and legal counsel.
