



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: October 9, 2024

BACKGROUND

As part of the calendar year 2024 Audit Work Plan, the Department of Internal Audit (IA) has performed the Annual Cash Disbursements Audit.

Departments, offices and schools (User) can pay for goods or services by making a direct payment or by requesting a payment against a purchase order. Both methods flow through Oracle Cloud (Oracle), the procurement and payment processing system used by Virginia Beach City Public Schools (VBCPS).

The User enters the item they want to buy in Oracle. The Accounts Payable division (AP) of the Office of Business Services (OBS) reviews the account code and ensures the workflow includes the signature authority for the assigned cost center. The signature authority reviews the requisition to ensure that the purchase is warranted. The Office of Procurement Services ensures that all procurement requirements are met before converting the purchase requisition to a purchase order to order the item. Once the item is received, the User enters an electronic receipt in Oracle. The vendor usually sends the invoice directly to AP, who enters the invoice and ensures that the dollar amount matches the electronic receipt and the purchase order. A three-way match of the purchase order, receipt and invoice will generate a payment.

When a direct payment is requested, the User obtains the item directly from the vendor without using a purchase requisition. After the User receives the item, they enter the request to pay the invoice in Oracle. The signature authority for the assigned cost center reviews and approves the request, and AP reviews the account code, the approval and confirms that the vendor's name and amount match the invoice.

BACKGROUND, CONTINUED

Payment information and dates are recorded in Oracle. The Treasurer for the City of Virginia Beach uses the data in Oracle to make payments for VBCPS. VBCPS is required to pay all invoices within 45 days of the invoice date or the date goods and/or services are received.

OBS has a *Travel/Professional Development/Employee Reimbursement Manual* that explains the travel reimbursement process. Professional development costs and reimbursements for local travel can be paid with a procurement card (pcard), by a direct payment or may be reimbursed to an employee. Accounting Technicians in AP review 100% of all travel related disbursements. Various types of travel expenditures/claims include the following:

- Reimbursement made to employee's paycheck for travel expenses incurred personally by a VBCPS employee;
- Travel reimbursement made to employee's paycheck for local mileage (mileage between VBCPS buildings and within the metropolitan area); and
- Travel-related pcard charges.

AUDIT OBJECTIVES, METHODOLOGY, RESULTS, AND CONCLUSIONS

Internal Audit reviewed 40 non-payroll invoices greater than \$500 but less than \$20,000 that posted to the general ledger in Oracle between September 2023 – August 2024 and 10 payroll journal entries that contained 56 individual employee travel reimbursements made between September 2023 – August 2024. 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 from Oracle containing all AP-approved invoices and travel reimbursement journal entries. The files contained approximately 6,750 unique invoice numbers during the audit period. IA judgmentally selected 40 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. IA also judgmentally selected 10 payroll journal entries so that there would be a variety of travel reimbursements selected across several funds and cost centers. The results cannot be extrapolated to the entire population. IA examined AP procedures, VBCPS records, Oracle general ledger and Laserfiche records for the 40 cash disbursement invoices and 10 payroll journal entries.

IA conducted this audit primarily to review the cash disbursement process. The audit objectives, methodology, results and conclusions are as follows:

1. Objective:
Review and analyze 40 invoices to determine if the signature authority approved the purchase.

AUDIT OBJECTIVES, METHODOLOGY, RESULTS, AND CONCLUSIONS, CONTINUED

Methodology:

IA examined the workflow approval path in Oracle to determine if the purchases were approved by the signature authority.

Results:

Forty of the 40 workflow approval paths in 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 40 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 from 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 40 of the 40 invoices reviewed appeared reasonable, and 40 of the 40 invoices reviewed were coded to the correct general ledger account.

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 40 invoices to determine if the invoice was paid within 45 days of the invoice date or the date the goods or services were received.

Methodology:

IA compared the payment dates to the invoice date or the date of receipt of goods or services, whichever is later, to determine if the payment was made timely.

Results:

Thirty eight out of the 40 invoices reviewed were paid within 45 days of the invoice date or the date the goods or services were received.

Conclusion:

Substantially all invoices were paid within 45 days of the invoice date or the date the goods were received.

4. Objective:

Review and analyze 40 invoices to determine if the approved payment amount and vendor match the invoice.

Methodology:

IA compared the payee and dollar amount of the invoices to source documents in Oracle. IA compared the electronic receipt and invoice in Oracle for payments made against purchase orders, if applicable, to determine if they match.

AUDIT OBJECTIVES, METHODOLOGY, RESULTS, AND CONCLUSIONS, CONTINUED

Results:

The payee and dollar amount for 40 of the 40 invoices reviewed matched the source documents in Oracle. The electronic receipt and invoice matched payments made against the purchase order for 40 of the 40 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.

5. Objective:

Review and analyze 40 invoices to determine if the invoice amount matches any contracts referenced in Oracle, if applicable, and if approval guidelines were followed for invoices over \$10,000.00.

Methodology:

IA compared applicable invoices from Oracle to the terms and conditions of the contracts in Oracle to determine if they match and ensured the approval path in Oracle included the required approval for any invoices over \$10,000.00.

Results:

All invoices reviewed, if applicable, matched the terms of the contract. All invoices over \$10,000.00 had the required approval in Oracle.

Conclusion:

All invoices matched contracts referenced in Oracle, if applicable. All approval guidelines were followed for invoices over \$10,000.00.

6. Objective:

Review and analyze 10 departmental/school travel reimbursement journal entries, which included 56 employees, to determine if the professional development reimbursement and/or local travel reimbursement follows VBCPS travel and professional development guidelines.

Methodology:

IA reviewed documents for each journal entry in Laserfiche to ensure:

- The local travel/professional development reimbursement requests were approved by the signature authority;
- Itemized receipts/invoices were included to support the charges incurred by the traveler;
- General Services Administration (GSA) per diem rates were followed for all meals and local travel mileage calculation was correct;
- The amount reimbursed to employee matched the amount on reimbursement request form;
- The request was submitted within 10 business days of conclusion of trip/local travel; and
- The reimbursement was coded to the correct general ledger account.

Results:

- Fifty five of the 56 local travel/professional development reimbursement requests were approved by the signature authority;

AUDIT OBJECTIVES, METHODOLOGY, RESULTS, AND CONCLUSIONS, CONTINUED

- All itemized receipts/invoices were included to support the charges incurred by the traveler;
- All GSA per diem rates were followed for all meals and local travel mileage calculations were correct;
- All amounts reimbursed to employees matched the amount on the reimbursement request form;
- Fifty two of the 56 local travel/professional development reimbursement requests were submitted within 10 business days of conclusion of trip/local travel; and
- All reimbursements were coded to the correct general ledger account.

Conclusion:

Substantially all departmental/school travel reimbursement requests followed VBCPS travel and professional development guidelines.

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, other items noted, and conclusions based on our audit objectives.

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

cc: Crystal M. Pate, Chief Financial Officer, Department of Budget and Finance
Daniel G. Hopkins, Director of Business Services

AUDIT RESULTS AND MANAGEMENT'S RESPONSES

Finding No. 1: Travel Reimbursement Guidance

IA noted several examples of inconsistencies between current practice versus guidance in OBS' *Travel/Professional Development/Employee Reimbursement Manual*. Examples of these are as follows:

Local Travel Reimbursement (LTR) forms and Professional Development Reimbursement (PDR) forms are accepted by AP even if they are submitted more than ten days after an employee's trip. IA noted in the sample travel testwork that one school that submitted four PDR forms between 12 and 20 working days after the trip. The *Travel/Professional Development/Employee Reimbursement Manual*, Section V, Responsibilities, states "Submit reimbursement requests to the principal or departmental supervisor no later than five (5) working days from the date of returning from the trip" and Section V, Responsibilities, states "Submit reimbursement requests to Accounts Payable via Laserfiche no later than five (5) working days from the receipt of travel claim from employee." OBS stated that they do not enforce the deadline for travel reimbursement submissions. The school that submitted four late travel reimbursements stated that they try to submit PDR forms on time. Timely submission of travel reimbursements can prevent overspending and ensures that reimbursements are paid in the correct fiscal year.

Employees do not always deduct meals provided by events or conferences from the calculation of per diem on their travel reimbursement requests. The *Travel/Professional Development/Employee Reimbursement Manual*, Section X, Professional Development, states "Meals provided by event or conference must be deducted from daily per diem." OBS stated that employees may not deduct meals provided by the event/conference because their dietary needs prevent them from eating the meals provided. The *Travel/Professional Development/Employee Reimbursement Manual* does not state that this exception is allowed and does not offer this option for employees.

IA noted from the sample travel testwork that a school prepared nine PDR forms to different employees for the same trip for the same dollar amount. Each employee's mileage section on the reimbursement form indicated that they went from their school to the conference and then back to their school after the conference ended. IA asked the school if all employees left from the school and went back to the school after the conference, the school stated they did not. Some employees may have gone home before leaving for the conference and all employees went directly home after leaving the conference. No employees went back to the school. There is no clear guidance in the *Travel/Professional Development/Employee Reimbursement Manual* regarding how to calculate mileage beyond an employee's normal commute on the reimbursement form. The school stated that they completed the mileage reimbursement section of the form based on their understanding of the requirements. Unclear guidance can lead to employees submitting inaccurate reimbursement requests, with the possibility of under/overpaying employees.

AUDIT RESULTS AND MANAGEMENT'S RESPONSES, CONTINUED

Recommendations:

IA recommends that OBS review the *Travel/Professional Development/Employee Reimbursement Manual* to update the guidance as needed per the items noted above. IA also recommends that the updated manual is distributed and explained to VBCPS staff members. In addition, IA recommends that OBS review the nine travel reimbursements noted above to determine if adjustments are needed.

Management's Response:

The CFO concurs. The Director of Business Services will ensure that staff reviews and updates the *Travel/Professional Development/Employee Reimbursement Manual* for the items note above as necessary. The CFO will ensure that the updated manual is distributed and explained to VBCPS staff by June 30, 2025. Finally, staff will determine if adjustments are needed for each of the nine PDR forms by June 30, 2025.

Finding No. 2: Travel Reimbursement Approval

Internal Audit noted that one school did not obtain the signature authority's approval on a PDR form. *The Business Manual for Central Offices*, Section 2.1, Senior Staff-Operating Budget/Financial Accountability Responsibility states, "Each Senior Staff member has signature authority for their respective budget category and cost center." The principal stated he did not believe that he needed to obtain the signature authority's approval as his professional leave form had been approved by the signature authority. OBS stated that they reject LTR and PDR forms if they are submitted without signature authority's approval, and this occurrence was an oversight. Failing to have the signature authority's approval may lead to inaccurate reimbursements.

Recommendations:

Internal Audit recommends that OBS ensure that all LTR and PDR forms include the appropriate signature authority approval prior to payment.

Management's Response:

The CFO concurs. The Director of Business Services will ensure that staff is reminded by October 31, 2024, to confirm that the appropriate signature authority approves the reimbursement prior to payment.

Finding No. 3: Late Payments

Two invoices were paid late:

- An invoice of \$11,340.00 dated 7/21/23 was not paid until 10/31/23. IA noted the goods were receipted in Oracle on 7/20/23.
- An invoice of \$2,613.00 dated 8/15/23 was not paid until 11/1/23. IA noted the goods were receipted in Oracle on 8/24/23.

AP uses an open purchase order report to monitor purchase orders for follow-up/payment, however it did not occur for the two invoices.

Virginia State Code 2.2-4352 Prompt payment of bills by localities, states "The required payment date shall be...(ii) if a date is not established by contract, not more than forty-five days after goods or services are received or not more than forty-five days after the

AUDIT RESULTS AND MANAGEMENT’S RESPONSES, CONTINUED

invoice is rendered, whichever is later.” Follow-up on purchase orders with items received ensures that payments are made timely. Payments made after the due date can damage VBCPS’ reputation.

Recommendations:

Internal Audit recommends that AP follow up on purchase orders with goods receipted on a frequent basis in order to pay invoices in a timely manner.

Management’s Response:

The Chief Financial Officer (CFO) concurs. The CFO will remind staff by October 31, 2024, to follow up on purchase orders with items receipted on a frequent basis in order to pay invoices in a timely manner.