



# VIRGINIA BEACH CITY PUBLIC SCHOOLS

## CHARTING THE COURSE

### MEMORANDUM

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

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

**SUBJECT:** Capitalized Assets Audit

**DATE:** June 24, 2025

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### BACKGROUND

As part of the calendar year 2025 Audit Work Plan, the Department of Internal Audit (IA) has performed a Capitalized Assets Audit.

Virginia Beach City Public Schools (VBCPS) reports capital assets in the Annual Comprehensive Financial Report, within the Statement of Net Position and in the capitalized assets footnote. Depreciation of these capital assets is recorded at the end of the fiscal year and is reflected along with the summary of changes in capital assets for the fiscal year. Total capitalized assets after depreciation expenses have been removed for Fiscal Year 2024 were \$638,893,881. VBCPS Office of Business Services (OBS) within the Department of Budget and Finance maintains Recoup, the program that tracks capital assets with a purchase cost equal to or greater than \$5,000.

VBCPS outsources barcoding new non-technology assets and the annual non-technology inventory validation to a contractor (contractor). OBS confirms that all capital assets purchased by VBCPS are recorded in Recoup by reconciling purchases in Oracle, VBCPS' accounting and purchasing system, to assets that are tagged by the contractor and recorded in Recoup each month. The Department of Technology (DOT) maintains their own asset tracking system which does not interface with Recoup. OBS coordinates with DOT to obtain a listing of new and retired technology capital assets each month to update Recoup. OBS reconciles the technology additions to Oracle but relies on DOT for disposal information.

Individual school and departmental sites are responsible for recording disposals of assets in Recoup as necessary. For instance, schools with capital cafeteria equipment are responsible for requesting maintenance from the Office of Maintenance Services (OMS) as needed. If OMS determines the capital asset has surpassed its useful life, the school cafeteria manager has the responsibility to request that the Office of Food Services (OFS) create a disposal in Recoup and coordinate with the Office of Distribution Services to have the capital asset physically removed from the school.

## AUDIT OBJECTIVES, METHODOLOGY, RESULTS AND CONCLUSIONS

Inquiry and examination of documents and data, as well as site visits, were the methods of reviewing internal controls. The audit period was school year 2024 – 2025 through June 13, 2025. Judgmental sampling was the primary sampling technique used in this audit. Judgmental sampling allowed IA to select capital assets from various departments/schools/offices. The results cannot be extrapolated to the entire population.

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

1. Objective: Determine if VBCPS is following procedures to record and reconcile capitalized assets annually.

Methodology:

- A) IA performed a walk-thru of the non-vehicle inventory process at one elementary school and one high school with the contractor who barcodes additions and verifies existing assets.

Results:

IA determined that VBCPS is barcoding new non-technology purchases and is validating the capital assets in Recoup; however, OBS is not utilizing the contractor's information for assets that cannot be verified. In addition, OBS should review the contractor's observations about assets that are onsite but are not being used and those that are on site but not on the Recoup inventory.

- B) IA judgmentally selected 45 vehicles from inventory records and verified their existence. One vehicle was selected from each school, office and department.

Results:

All forty-five vehicles selected from inventory records were verified.

- C) IA judgmentally selected two technology capitalized assets from inventory records located at two middle schools and verified their existence.

Results:

One technology capitalized asset could not be verified and one technology capitalized asset could be verified, but not at the location indicated on inventory records.

Conclusion: VBCPS has procedures in place to record and reconcile capitalized assets annually; however OBS should utilize the information provided by the contractor to improve the usage and tracking of capital assets. In addition, procedures related to disposals should be updated to ensure that the asset records are up to date.

## 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.

## AUDITING STANDARDS, CONTINUED

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, Office of Business Services

Jack Freeman, Chief Operations Officer, Department of School Division Services  
Rachel Amato, Director, Office of Food Services

## AUDIT RESULTS AND MANAGEMENT'S RESPONSES

### **Finding No. 1: Capital Assets – Disposals and Transfers**

During the review of existing guidance and through discussions with OBS, IA determined that guidance for departments/schools to dispose or transfer capital assets is outdated. The *Asset Management User Guide* and the “Guide to Tutorial Videos” for capital asset procedures were last updated in January 2010, and Appendix B, Capital and Controlled Assets Inventory, from *The Business Manual for Schools and Central Offices* is not current. Incorrect guidance prevents schools and departments from knowing what steps to follow to dispose of or transfer assets that are no longer in use. IA also noted that OBS has not removed assets that were either not validated in previous years or that have been transferred to a different site without being updated in Recoup. Recoup shows the items that have not been validated, and the contractor documents variances related to incorrect asset locations on paper copies of the inventory; however, OBS has not utilized or requested this information. Accuracy of inventory provides assurance that assets are being accurately reported.

#### ***Recommendations:***

IA recommends that OBS update guidance for departments/schools of how to dispose of and transfer capital assets in Recoup. The updated guidance should be provided to staff members, and OBS should request that sites review their capital assets inventory at least once a year. OBS should coordinate with departments/schools to reconcile the assets listed in Recoup that were not validated by the contractor. OBS should work with the contractor to obtain this information each year as portions of the inventory validation are completed and coordinate with the departments to make corrections as needed. In addition, OBS should obtain information from the contractor for assets with the incorrect location in Recoup so that they can be corrected by the department or school.

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

The Chief Financial Officer (CFO) concurs. OBS will update the capital asset transfer and disposal guidance by December 31, 2025. OBS will request that schools and departments review their capital assets inventory annually.

- *IA noted that as a result of this recommendation, OBS sent a memo to select staff members regarding capital asset disposals on 6/13/25.*

OBS will coordinate with departments/schools to reconcile the assets listed in Recoup that were not validated by the contractor by December 31, 2025. This process will continue each year as the contractor completes portions of the inventory validation. In addition, OBS will obtain information from the contractor for assets with the incorrect location in Recoup by October 31, 2025, and will continue to request these annually so that corrections can be made by the department or school.

### **Finding No. 2: Technology Capital Assets – Disposals and Transfers**

IA judgmentally selected two technology capital assets from Recoup to verify existence. An interactive panel could not be verified and the 3D printer (printer) existed but was not at the location listed in Recoup. The middle school's Technology Support Technician stated that the interactive panel was left at the previous building. When the new school

## AUDIT RESULTS AND MANAGEMENT'S RESPONSES, CONTINUED

opened in September of 2021, it was never retired or removed from the technology inventory records. The Coordinator of Engineering and Technology Education (coordinator) in the Department of Teaching and Learning stated that the printer was moved from its assigned middle school to the Holland Road Annex so that he could determine if it was repairable. Both technology capital assets were not properly reflected in DOT's inventory, therefore it was not reflected correctly in Recoup. Accuracy of inventory provides assurance that assets are being accurately reported.

### ***Recommendations:***

IA recommends that OBS coordinate with DOT to develop a process to ensure that disposals and transfers are reported to them so that they can be entered into Recoup.

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

The CFO concurs. OBS will coordinate with DOT by March 31, 2026, to develop a process to ensure that disposals and transfers are reported to them so that they can be entered into Recoup.

### **Finding No. 3: Outdated Guidance and Contact List**

OBS has a list of the capital asset contact person at each site. IA noted that numerous employees on the list no longer work in the school/department/office or no longer work for VBCPS. OBS stated that a memo is sent each year to all sites requesting an updated site contact. IA noted the last memo requesting an update was distributed in Spring 2024. It is important that OBS have the correct capitalized asset point of contact at each site, as this is the person who assists OBS in reconciling the Recoup asset listing.

### ***Recommendations:***

IA recommends that the site contact listing is updated routinely to ensure that the correct contacts are receiving information related to capitalized assets.

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

The CFO concurs. OBS will update the site contact list by December 31, 2025, and will request updates routinely to ensure that the list is accurate.

## ITEMS NOTED AND MANAGEMENT'S RESPONSES

### **Items Noted No. 1: Cafeteria Equipment Not in Use**

A middle school has cafeteria equipment stored in a locked custodial storage area that is not currently in use. The contractor stated that three pieces of equipment have been in the custodial equipment room for numerous years. IA viewed the equipment at the school and noted that Recoup shows a hot serving line and a food warmer that were both purchased in January 2012 for \$17,084.74. In addition, IA viewed a non-capitalized ice cream refrigerator at the school which was disposed of in Recoup in October 2023 and was purchased in January 2012 for \$927.15. The cafeteria manager, who has been at the school since August 2024, stated that he was not aware that this equipment was in the custodial storage area. Purchasing cafeteria equipment that is not being used is not a prudent use of resources, as the unused equipment may become obsolete. The item that was marked as disposed in Recoup remained at the school even though several years of inventory validation had been completed.

#### ***Recommendations:***

IA recommends that OFS work with the school cafeteria manager to ensure this equipment is used or allocated to another school, to include updating Recoup to reflect the status and location of each asset. OBS should communicate with the contractor to obtain information about assets like these that may be underutilized.

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

The COO concurs. OFS will work with the school cafeteria manager to ensure the equipment is used or reallocated to another school and Recoup is updated to reflect the usage and location of the asset by July 11, 2025.

The CFO concurs. OBS will communicate with the contractor to obtain information as sections of the asset validation are completed to ensure that capital assets are being utilized.

### **Items Noted No. 2: Inventory Spot Checks**

OBS staff does not currently do site visits to verify and/or spot check the technology or non-technology capital asset inventory. Performing spot checks of capital asset inventory provides an opportunity to meet site contacts, view assets in person and validate the information that is maintained in Recoup.

#### ***Recommendations:***

IA recommends that OBS perform verifications and/or spot checks of capital asset inventory at a frequency and amount deemed as appropriate.

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

The CFO concurs. OBS will develop a plan by March 31, 2026, to perform verifications and/or spot checks of capital asset inventory to include the amount and frequency.