



Chesterfield County, Virginia Internal Audit

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GREG L. AKERS
Director

DATE: October 20, 2016

TO: Dr. James Lane
Superintendent, Chesterfield County Public Schools

FROM: Greg Akers
Director of Internal Audit

SUBJECT: School Administrative Services Expenditures

The Office of Internal Audit completed an audit of School Administrative Services Expenditures, and the final report is attached.

We would like to thank your staff for their cooperation and assistance during this audit.

Attachment

Copy: Rusty Fairheart, Chief of Staff
Wendell Roberts, School Board Attorney
Chris Sorensen, Assistant Superintendent for Business and Finance
Robert Aylor, Director of School Finance
Timothy Bullis, Director of Community Relations
Dr. Lyle Evans, Assistant Superintendent Human Resources & Administrative Services
Brian Jones, Executive Director of Technology
Donna Dalton, Chief Academic Officer for Instruction
Dr. Thomas Taylor, Executive Director for School Administration
Patsy Brown, Director of Accounting



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School Administrative Services Expenditures

October 20, 2016



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October 2016

Highlights

Internal Audit Report to the Board of Supervisors/School Board

Internal Audit conducted this review as part of our FY15 audit plan approved by the County Administrator and School Board Superintendent.

The audit objectives were to:

- Review non-payroll expenditures for compliance with policies and procedures.
- Test for split purchases and potential duplicate payments.
- Test travel, training, cell phones, and non-cash awards.
- Report results to the School Superintendent.

What We Recommend

We recommended internal control improvements over:

- Limiting the School Finance Director user account to an individual user.
- Performing verification of financial system user access on a bi-annual basis by School Administration.



For more information, please contact
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School Administrative Services

Expenditures

What We Found

Commendable Policies and Procedures

We commended School Administrative Services for following sound internal controls as all non-payroll expenditures tested were for legitimate County business, and there were no split purchases or duplicate payments.

Expenditures

Audit testing was performed for 412 non-payroll expenditures over nine School Administration component departments with minimal findings:

- One mileage reimbursement was turned in three months into the following fiscal year.
- One transaction with sales tax was paid, rather than claiming tax exempt status.

Financial System Access Security

School's financial activities are maintained in unique funds and accounts in the County's accounting system. County financial system access for school users is coordinated through the School Finance Department with the County Accounting Department's Support Team. We noted:

- Bi-annual financial system user access verification reports for Schools from the Accounting Department were not prepared between April 2010 and March 2015.
- The user access reports for Schools were not signed by a Department Head; the School Department Liaison had signed the reports.
- A system user account named "School Finance Director" was set up with access for two individuals. These individuals also had their own unique user IDs.

Action(s) Taken

Accounting has resumed sending the ONESolution User Financial Security Verification Reports to School Administration for bi-annual verification beginning March 2015.

Management concurred with 5 of 5 recommendations to be implemented by December 31, 2016.

We appreciate the cooperation received from management and staff while conducting this audit.



INTRODUCTION

BACKGROUND

School Administrative Services includes the Superintendent, Chief Executive to the Superintendent, School Board Attorney, Director of Community Relations, Assistant Superintendent of Human Resources and Administrative Services, Chief Academic Officer, Assistant Superintendent for Business and Finance, Executive Director of Technology, Executive Director of School Administration, and Clerk to the School Board.

The Superintendent of Schools leads the operations of the School system to meet the needs of the students and citizens of Chesterfield County. The Superintendent's Office advises members of the School Board, recommends policies and procedures, and sets priorities for consideration by the School Board concerning programs and services that provide the highest education to County citizens.

OBJECTIVES

Objectives of the audit were to:

- Review non-payroll and non-capital expenditures for compliance with policies and procedures.
- Test for potential duplicate payments and split purchases
- Test travel and training expenditures.
- Test wireless devices and non-cash awards.
- Report results to the School Superintendent.

SCOPE

Our audit work covered transactions processed in FY14 and FY15 (as of December 31, 2014).

We considered the following County Administrative Policies and Procedures:

Accounting 1-1: Travel Policy	Accounting 1-5: Bill Approval, Documentation and Payment
Accounting 1-15: Purchasing Card	Accounting 1-19: In Focus Security and Responsibilities
Purchasing 12-09: Blanket Purchase Orders	Purchasing 12-10: Small Purchase Procedures
School Board Policy 7040: Financial Management	School Board Policy 7150: Procurement
School Board Policy 7180: Staff Travel	Elected Board Members Travel Policy

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. Derek Wilson, Staff Auditor and Christopher Meade, Senior Auditor, performed the audit work.

Chesterfield County Internal Audit is a department within the organization of Chesterfield County/Schools.

METHODOLOGY

Detailed information regarding the methodology can be found in the individual findings listed in the report. Internal Audit performed an analytical review of expenditure data, tested a sample of non-payroll expenditures including travel and credit card purchases, and reviewed for compliance with County and School Administrative Policies and Procedures.

INTERNAL CONTROL CONCLUSION

According to Government Auditing Standards, internal controls, in the broadest sense, encompass the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal controls include the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Based on the results and findings of the audit test work, auditors concluded that internal controls were in place, and there were minimal findings to question their ability to assist management in meeting its mission, goals, and objectives. Recommendations specific to improving these controls can be found in detail further in the audit report.

CLOSING

We would like to thank Dr. James Lane, School Superintendent, School Administration, and staff for their cooperation and assistance during the course of this audit.

FINDINGS, RECOMMENDATIONS, RESPONSES

Financial System Access Security

(Point Sheet C-1.1)

CRITERIA:

School's financial activities are maintained in unique funds and accounts in the County's accounting system. County financial system access for school users is coordinated through the School Finance Department with the County Accounting Department's Support Team.

County Administrative Policy 1-19: Accounting – In Focus Security and Responsibilities outlines the responsibilities to ensure that there is ownership and security around the processes related to the In Focus Accounting System (IFAS, which has subsequently been updated to ONESolution). The policy includes responsibilities for the user Department Head, Accounting's In Focus (Support Team), Department Security Liaison, and System Users.

- Department Head responsibilities include ensuring there are processes in place to identify the appropriate personnel as financial system users, which users can create and approve transactions at the prescribed dollar thresholds, ensure staff is properly trained for their responsibilities, and adhere to established procedures so that appropriate internal controls are maintained over transactions.
- The Support Team's responsibilities include providing support for user issues and questions, maintaining security including documentation that identifies authorized users, their authorized functions, approval authority, monitoring user accounts to ensure that system access is controlled and appropriate, and creating new reports as needed to meet changing and new requirements as they are identified.
- Department Security Liaison responsibilities include understanding departmental needs to ensure that financial system security requests are appropriate based on department business processes.
- The policy also requires unique user IDs and passwords for individuals with system access.

The Support Team produces financial system user access reports (Reports) that identify purchase order creators and dollar threshold approvers for individual departments. The Team's standard procedure is to send Reports to each department bi-annually for verification.

CONDITION(S):

Audit testing was performed for FY14 and FY15 (through December 31, 2014), and the following was noted:

- Bi-annual financial system user access verification reports for Schools from the Accounting Department were not prepared between April 2010 and March 2015.
- The user access reports for Schools were not signed by a Department Head; the School Department Liaison had signed the reports.
- A system user account named "School Finance Director" was used to approve 17 transactions and was set up with access for two individuals. These individuals had their own unique user id's. This account did not appear on either the 2010 or 2015 system user access verification reports.

FINDINGS, RECOMMENDATIONS, RESPONSES

Financial System Access Security

(Point Sheet C-1.1 Continued)

CAUSE(S):

- The Accounting Department did not consistently issue the bi-annual financial system user verification report for School Administration due to turnover, system updates, and issues with the report.
- As noted in a previous audit, financial user security reports are not generated directly from the application. Accounting maintains a separate database of user access levels. The Support Team is required to manually update the database when an individual's financial system access is created or changed.
- A special generic user account was approved for use by two School Administration individuals.

EFFECT(S):

- Without current financial system user verification reports, School Administration is unable to verify the individuals with access to create and approve purchase orders is appropriate.
- A system user account accessible by multiple individuals does not provide individual accountability for transaction approval.

ACTION(S) TAKEN:

As of March 2015, Accounting has resumed sending the ONESolution User Financial Security Verification Reports to School Administration for bi-annual verification.

RECOMMENDATION(S):

1. We recommend that Accounting limit the "School Finance Director" user account to a single user and maintain single user access to all system accounts.
2. We recommend that School Administration ensure that they are verifying ONESolution system user access with the Accounting department bi-annually.
3. To illustrate Department Head compliance with CAP 1-19, we recommend that School Administration's Security liaison forward the ONESolution User Financial Security Verification Reports to the School Finance Director for review and signature before returning them to Accounting.

Management Response(s):

1. *Concur. Accounting Automation Coordinator is responsible for implementing 10/18/2016. The automation coordinator will request that the password for School Finance Director user account be reset by IST Security Services; Schools will submit account forms for Assistant Superintendent user account if desired.*
2. *Concur. Director and Assistant Director of Finance for Schools are responsible for implementing 12/31/2016.*
3. *Concur. Director and Assistant Director of Finance for Schools are responsible for implementing 12/31/2016.*

FINDINGS, RECOMMENDATIONS, RESPONSES

Expenditures

(Point Sheet C-1.2)

CRITERIA:

County Administrative Policy 1-1: Accounting – Travel Policy outlines the procedures for mileage reimbursement. The policy includes the requirement that expenses incurred while traveling on official County business should be documented, settled in a timely manner and in the fiscal year in which the travel occurred.

County Administrative Policy 1-5: Accounting – Bill Approval, Documentation, and Payment outlines the procedures for bill approval, documentation, and payment for goods or services. The policy includes the following requirements: maintaining supporting documentation for all expenditures, using proper procedures and tax exemptions, and creating and approving invoices through authorized personnel. It also describes the policy against split purchases and duplicate payments.

County Administrative Policy 12-7: Purchasing – Delegated Purchasing Authority outlines the procedures for delegated purchasing authority for transactions of \$5,000 or less. The policy includes, but is not limited to, the following requirements: using departments/schools shall not split orders to keep the dollar level of several orders below \$5,000 to avoid sending a requisition to Purchasing.

CONDITION(S):

Audit testing was performed for 412 FY14 and FY15 (through December 31, 2014) non-payroll expenditures over nine School Administration component departments, and the following was noted:

- All expenditures tested were for legitimate, reasonable County business.
- No duplicate payments or split purchases were found.
- There was 1 transaction in which a mileage reimbursement was coded and reimbursed in the subsequent fiscal year.
- There was 1 transaction in which sales tax was paid rather than claiming tax exempt status.

CAUSE(S):

- A mileage reimbursement was turned in 3 months into the next fiscal year.
- The inclusion of sales tax was overlooked on an invoice during the payment process.

EFFECT(S):

- A mileage reimbursement expense of \$782 for mileage driven in FY13 was submitted and recorded in FY14.
- The County overpaid a vendor \$111 in sales tax.

FINDINGS, RECOMMENDATIONS, RESPONSES

Expenditures

(Point Sheet C-1.2 Continued)

COMMENDATION(S):

We commend School Administrative Services for following sound internal controls as all non-payroll expenditures tested were for legitimate County business, and there were no split purchases or duplicate payments. We commend the offices of Human Resources, the Chief Academic Officer, Executive Director of Technology, and the Assistant Superintendent of Business and Finance for following sound internal controls as all non-payroll expenditures tested also traced and agreed to supporting documentation and followed proper purchasing/County procedures.

RECOMMENDATION(S):

4. We recommend that employees are reminded to submit travel reimbursement requests prior to the end of the fiscal year, as stipulated in the CAP 1-1: Accounting - Travel Policy.
5. We recommend that those individuals involved in processing payments monitor invoices for included sales tax.

Management Response(s):

4. *Concur. Director of Finance for Schools is responsible for implementing 12/31/2016. Director of Finance will provide a copy of this item to the Superintendent's Cabinet and remind them of the need to submit travel at least quarterly.*
5. *Concur. Director of Finance for Schools is responsible for implementing 12/31/2016. The Director of Finance will review all administrative credit card payments to ensure sale tax is not paid.*