

# MUNICIPAL AUDITING REPORT CITY OF ROANOKE



## RCPS Accounts Payable Follow- Up

**March 9, 2023**

Report Number: 23-005

Audit Plan Number: 23-104

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## AUDIT OBJECTIVES & CONCLUSIONS

### Audit Objectives:

1. Have gift card procedures been communicated to employees involved in issuing gift cards and are they being followed to ensure signatures are obtained acknowledging receipt of gift cards when distributed for student incentives?

**Yes** – The Communications and Marketing Department developed written procedures for handling gift cards used as student prizes. Fiscal Services communicated required procedures to departments responsible for issuing gift cards, and provided appropriate training. Our test work showed gift cards were only purchased to provide assistance to students experiencing homelessness, and in limited cases, as student incentives as allowed by Division policies.

**END OF AUDIT OBJECTIVES & CONCLUSIONS**

### BACKGROUND

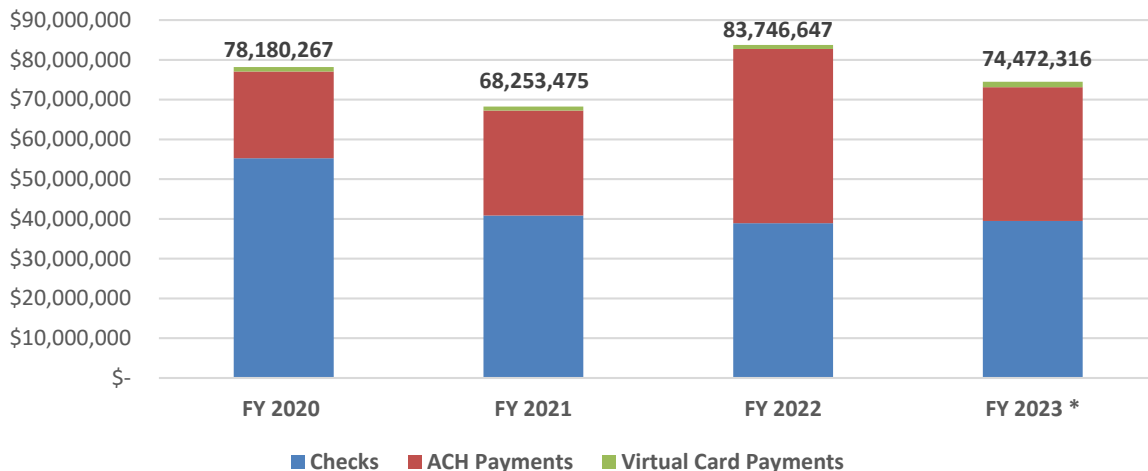
Roanoke City Public Schools (RCPS) Accounts Payable supports all departments and school sites through the centralized payment of expenditures. The following are the primary goals of Accounts Payable:

1. To pay invoices timely and accurately for allowable expenditures in accordance with School Board Polices.
2. To reimburse RCPS employees timely and accurately for allowable expenditures in accordance with School Board Polices.
3. To ensure reports generated from the Keystone Financial system are accurate and balance to the General Ledger.

The Division uses Keystone for budgeting, accounting, purchasing, and accounts payables operations. There is also an employee management module used by RCPS for payroll and human resource functions.

The Accounts Payable function is part of Accounting Services under the Fiscal Services Department of Roanoke City Public Schools. Three (3) Accounts Payable Specialists report to the Director of Accounting and handle all invoice and payment voucher processing through the Keystone financial system. The Keystone system shows the following, excluding payroll:

#### Payments Issued



\*As of 2/28/23

We completed the original audit of Accounts Payable in 2021 with the following objectives:

1. Are system access rights appropriately assigned to ensure users can only perform the financial functions compatible with their positions and as authorized by management?
2. Are all payments timely, accurate and only issued for legitimate, authorized purchases of goods and services?

We had only one (1) audit observation, which involved the purchase of gift cards. Management had a very sound policy limiting the purchase of gift cards, which like cash, are difficult to track and can create a taxable event if given to employees.

Using data queries, we confirmed gift card purchases were limited in accordance with the policy. However, signatures of persons receiving gift cards were not obtained in many cases, and there were no formal processes in place to monitor compliance.

Our initial audit report was dated August 20, 2021, and the remaining piece of management's action plan was targeted to be completed by December 31, 2021.

**END OF BACKGROUND**

**OBJECTIVE 1: Gift Card Documentation**

In our 2021 audit, we noted that gift cards were given to more than 100 students as prizes for the Reading Challenge and the Summer Reading Program. Division staff did not have the students who received cards, or their guardians, sign an acknowledgement as required by policy. Gift cards are essentially the same as cash and therefore cannot be traced to the recipient in the same way that checks written to a payee can be. As such, they can easily be lost, stolen, or given to the wrong person.

**Action Plan:**

The Communications and Marketing Department planned to develop a procedure for gift cards used as student prizes.

The Fiscal Services Department planned to modify its gift card guidance to include a process for discussing other ways of documenting the use of gift cards should unforeseen circumstances, such as the pandemic, arise.

Additionally, Fiscal Services Management planned to work with staff to ensure everyone on the Accounts Payable team would be aware of gift card requirements and would be prepared to share that guidance with other departments should requisitions or invoices include suspected purchases of gift cards.

**Action Completed / Issues Resolved – Yes****Follow Up – March 2023:**

**Scope:** We reviewed gift card communications and training provided to Division employees since the original audit report issued in August 2021. We attempted to identify all gift card purchases made from January 1, 2022 through February 15, 2023.

**Results:**

In mid-September 2021, Fiscal Services management shared Municipal Auditing's Final Report on Accounts Payable with Accounting staff to convey the importance of tracking the distribution of gift cards. Later in September 2021, management included guidance on gift cards in the *Faculty and Staff Annual Training on Financial Matters* slides that were presented to all school principals and other key department personnel. In July 2022, Fiscal Services conducted bookkeeper training which included an overview of gift card requirements. In January 2023,

Fiscal Services conducted in-person staff training, again covering the Accounts Payable audit and addressing proper procedures for gift cards. All Fiscal Services staff attended this training as evidenced by their signature on a sign-in sheet.

We identified 21 gift card purchases totaling \$28,980 during the period January 1, 2022 through February 15, 2023. All were properly supported by Purchase Orders and corresponding invoices / receipts. Those made on RCPS purchasing cards were identified on the credit card statement and included appropriate approvals.

The majority of gift card purchases (18 transactions for \$25,560) were for the support of homeless students and their families, funded through the McKinney-Vento Homeless Assistance Act:

Description	Purpose	Amount
Goodwill Store Cards	Clothing and household items	\$ 10,700
Speedway Fuel Prepaid Cards	Reimbursement when transportation unavailable	\$ 8,310
Best Western Travel Cards	Temporary housing in emergency situations	\$ 3,500
Kroger Store Cards	Food for families in emergency situations	\$ 1,500
Dominos Cards	Food for families in emergency situations	\$ 775
McDonalds Cards	Food for families in emergency situations	\$ 775
		<b><u>\$ 25,560</u></b>

As noted in the original audit and confirmed on 2/27/23, the Homeless Coordinator tracks all gift cards purchased and distributed using the Resource and Referral spreadsheet. She has parents / guardians sign a form when they receive gift cards, which is then kept on file in her office. All unissued gift cards are stored in a locked cabinet, to which only the RCPS Homeless Coordinator and the Homeless Outreach Specialist have a key. As they remove gift cards from the cabinet, they record the type and number of cards taken on a log. Any cards that cannot be distributed as intended are returned to the cabinet and added back to the log.

Other than the McKinney-Vento funded cards, we identified only three (3) purchases of gift cards. These cards were to be given to students as incentives:

1. \$500 for 50 McDonald’s gift cards to be given to students as incentives for William Fleming High School’s Project Graduation program.
2. \$980 for 50 Dominos gift cards to be given to students as prizes for the Summer Reading Program.

3. \$1,940 for 100 Dominos gift cards to be given to students as prizes for the Summer Reading Program.

All gift cards were logged on a Master Tracking spreadsheet when purchased, which included the unique card numbers imprinted on each one. As of the date of our fieldwork (3/2/23), 11 of the McDonalds gift cards and 124 of the Dominos gift cards had been distributed to students. A properly completed Gift Card Receipt form, signed by the student, was on file in all cases. We confirmed that the remaining gift cards on hand, combined with the cards reported as issued, were equal to the number of cards purchased. These were stored in a locked vault with limited access by authorized personnel.

**END OF OBJECTIVE 1**



**SUMMARY OF MANAGEMENT ACTION PLANS**

NA – the finding has been remediated

### **MANAGEMENT COMMENTS**

Management has the option of providing comments to clarify issues, to provide context, or to share other information management feels is relevant and not otherwise addressed in the report. Management has considered the need for comments and decided none were necessary.

**ACKNOWLEDGMENTS**

We would like to thank the Accounting Department, specifically Donna Caldwell, Director of Accounting and Debbie Blevins, Accounts Payable Specialist, for their cooperation and assistance throughout the audit. We would also like to thank the Communications and Marketing Department, specifically Kelly Sandridge, Chief Communications and Community Engagement Officer, Claire Mitzel, Coordinator of Communications and Public Relations, and Sarah McMinn, Marketing and Events Specialist, and Miriam Ornelas in the William Fleming High School Finance Department for their time and input.



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