



January 7, 2014

Dr. William C. Symons, Acting Superintendent  
and the Management of  
the Stafford County School Board  
31 Stafford Ave  
Stafford, VA 22554

In planning and performing our audit of the financial statements of Stafford County School Board (the school board) as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, we considered the school board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school board's internal control. Accordingly, we do not express an opinion on the effectiveness of the school board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We communicated the significant deficiency and material weaknesses identified during our audit in a separate communication dated January 7, 2014.

Certain deficiencies in internal control that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

#### **Mileage Reimbursements and Lunch Account Reimbursements**

During our audit, we noted that Nutrition Services mileage reimbursements and lunch account reimbursements did not appear to follow the same policy as other disbursements. Typically, purchase orders are initiated electronically by the individual requesting the good/service then

electronically approved by the Director of Nutrition Services. After the date of purchase, the Director of Finance and Accounting reviews a transaction listing. We observed that, although the Director of Nutrition Services reviews supporting documentation for disbursements, the system-generated "Expenditure Approval List" was not provided. We believe that reviewing a system generated transaction report ensures that all expenditures are being approved.

Management corrective action: Management implemented a new process in July 2013 whereby the "Expenditure Approval List" is required to be provided to the Director of Nutrition Services for review of all purchases and reimbursements along with supporting documentation.

### **Segregation of Duties Related to Payroll**

During our audit, we noted that all payroll staff has access within the payroll system to add new employees, change direct deposit information, and change pay rates. Also, it was noted that when new employees are approved to be hired, the principals/supervisors, who approve the hiring of the individual, do not always sign off as having approved. Although the payroll is compared to the budget, we believe controls designed to prevent errors from occurring are also necessary to reduce the risk of fraud and error. We recommend that the individual(s) maintaining time sheets, recording payroll transactions, and processing payroll payments should not also be maintaining employee data and pay rates. Information Technology user controls should be setup to prevent users from having the ability to update the payroll database and also process payroll transactions. We also recommend that employee files include formal hiring approval by departmental supervisors or directors.

This communication is intended solely for the information and use of the Superintendent, management, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

*McGladrey LLP*

New Bern, North Carolina