



RSM US LLP

Dr. Bruce Benson, 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 or SCPS) as of and for the year ended June 30, 2015, 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 opinions 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.

Following is a description of identified deficiencies in internal control that we determined did not constitute a significant deficiencies or material weaknesses:

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Segregation of Duties Related to Payroll

We noted that the payroll staff has access within the payroll system to add new employees, change direct deposit information, and change pay rates. We also noted that when new employees are approved to be hired, the principals/supervisors who approve the hiring of the individuals do not always formally indicate their approval. 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. Systems-based user controls should be established 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 directors or supervisors.

Management response: Management concurs with the recommendation to improve the segregation of duties related to payroll, but due to limitations in the existing modified payroll module of the HTE financial system, system-based controls will not become effective until the new Human Resource & Payroll and Benefits modules of the newly acquired MUNIS ERP system are implemented as currently planned on April 1, 2017.

Approval of Budget Adjustments

Currently, SCPS' budget adjustment process is functioning, but undocumented in certain aspects of the process. When a budget adjustment request is received by the Budget & Grants section of the Financial Services Department from a requesting department, it is treated as an authorized request approved by the sending department. An example form, including spaces for (1) the requesting department's authorization by a member of the department's management and (2) the Financial Services Department's approval and date, is included in SCPS' Finance Manual. Requesting departments' personnel cannot access SCPS' budget module, therefore, staff in the Budget & Grants section of the Financial Services Department must receive and approve the budget adjustment request before updating the budget in the SCPS' budget module. When the Budget & Grants section of the Financial Services Department updates the budget in SCPS' budget module, it is essentially documenting the review and approval of the transaction. There is no explanation of the use of the budget adjustment request in the Finance Manual, and there is no written guidance on the level of management required for authorization by the requesting departments or for approval by the Financial Services Department, based on the dollar amount of the budget adjustment requested.

We selected a sample of 11 budget adjustments for testing. Testing included reviewing budget adjustment requests for proper authorization by the requesting department and approval by the Budget & Grants section of the Financial Services Department, as evidenced by signatures and dates on the budget adjustment request form, in addition to reviewing the adjustment for reasonableness. We noted two instances where authorization by the requesting department was not documented on the budget adjustment request. Additionally, we noted two instances where the request for adjustment had not been approved in accordance with our understanding of the informal \$20,000 budget adjustment threshold (requiring a documented approval by the Assistant Superintendent of Finance) that was in effect at the date of the 2 budget adjustment requests. We recommend SCPS (a) document operational policies, procedures, and controls related to

budget adjustment requests, (b) consider implementing a formal operational policy for escalating levels of approval by management of the Financial Services Department based on the dollar amount of the requested adjustment, and (c) implement staff training in order to ensure all requesting and approving staff are aware of budget adjustment request policies, procedures and requirements for documentation of controls over authorization and approval of requests.

Management response: Management concurs with the recommendation to fully document and train staff on the current policies, procedures and internal controls related to the existing review and approval process for budget adjustment requests.

Special Education Time Certifications

In accordance with OMB Circular A-87, whenever an employee is expected to work on a single Federal award or cost objective, charges for his/her salaries and wages should be supported by periodic certifications that the employee worked solely on the specified program. Certifications should be completed on at least a semi-annual basis and signed by the employee or supervisory official having direct knowledge of the work performed by the employee. During our audit, we selected 11 employees for testing. We noted two instances where an employee's time was certified on an annual basis rather than on a semi-annual basis. We recommend the school board review program requirements with employees and stress the importance of following all program requirements.

Management response: Management concurs with the recommendation to review time certification program requirements with the employees responsible for compliance with OMB Circular A-87.

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.



New Bern, North Carolina
December 9, 2015

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