



MEMORANDUM

DATE: February 12, 2021

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

FROM: Terrie L. Pyeatt, CPA *TL*
Director, Office of Internal Audit

**SUBJECT: Follow-Up School Activity Funds Audit
Bayside High School – Exceptions Noted**

The school activity funds of Bayside High School were audited for the six-month period from July 1, 2020 to December 31, 2020. The primary purpose of the audit was to determine if cash balances were properly stated as of December 31, 2020, but an important secondary purpose was to determine the level of compliance with policies and procedures. This report details the items the Office of Internal Audit (IA) noted at the school that were in direct conflict with Virginia Beach City Public Schools (VBCPS) policies and procedures and/or best practices but do not have a material effect on the financial statements.

Audit results are based on School Board policies and regulations, accounting procedures, and proper internal controls. Audit results are included in this report and were reviewed with the principal. The following items were examined during the audit:

Cash Receipts

- Controls and safeguards over cash receipts;
- Timeliness of deposits;
- Collections by staff and the timely transmittal of these receipts to the bookkeeper; and
- A sample of receipts for accuracy and compliance with policies, regulations, and procedures.

Cash Disbursements

- Canceled checks for proper signatures;
- Procurement for compliance with policies, regulations, and procedures; and
- A sample of expenditures for proper supporting documentation and compliance with policies, regulations, and procedures.

Other Areas

- Fund transfers for proper use;
- Other accounts as to the purpose, source, and use of funds; and
- Analysis of the financial statement.

The following discrepancies were noted during the audit:

Exception No. 1: Refund Checks

The bookkeeper issued and the principal approved 68 refund checks during school year 2020-2021. The bookkeeper did not review the original points of collection (POC) prior to making most of these payments. The bookkeeper stated that the documentation she used to support the refund payments varied based on what each sponsor gave to her when the refund request was made. The bookkeeper stated that one sponsor requested many refunds using a spreadsheet as the supporting documentation; however, the bookkeeper later found that the spreadsheet contained incorrect or incomplete data. This was one reason why the bookkeeper, in consultation with the principal, began making refunds when parents would call the school requesting refunds. In these instances, the bookkeeper stated that she would look through the check register to ensure the parent had not already received a refund but that she had no documentation to show the parent had originally paid. She did not look through the POCs to determine if a payment had been made. IA reviewed the POCs for the 68 refund checks noting that there were three overpayments which totaled \$115.00. The principal paid \$35.00 and the bookkeeper paid \$80.00 to the school out of their personal funds after IA identified the overpayments.

IA discussed the refund process with the bookkeeper and principal previously as similar issues were found during the summer FY20 audit. In general, the original POC should be included as supporting documentation on refunds to ensure that the school is refunding the correct payee for the correct amount.

Exception No. 2: Inadequate Supporting Documentation

The bookkeeper made four disbursements without obtaining adequate supporting documentation. Details are as follows:

- Supporting documentation for a reimbursement to the principal did not include a receipt for \$15.13 of the amount paid. The payment documentation included a note stating that the principal was owed \$15.13, but there was no explanation provided as to the reason. Neither the bookkeeper nor the principal could remember why the principal was owed this additional amount.
- Supporting documentation for a disbursement of \$107.00 did not include an invoice. The bookkeeper used a request from the sponsor as supporting documentation. After Internal Audit questioned this transaction, the school contacted the sponsor to obtain an invoice. Once the invoice was obtained, Internal Audit noted the correct amount was paid to the vendor.
- Supporting documentation for a disbursement of \$5,503.31 did not include an invoice. The payment was made using a purchase order as supporting documentation. After Internal Audit questioned this transaction, the bookkeeper found the invoice in her email. Once the invoice was obtained, Internal Audit determined the correct amount was paid to the vendor.

- Supporting documentation for a procurement card purchase of \$298.00 did not include an adequate receipt. The attached receipt from the vendor did not show what was purchased nor the purchase price. After Internal Audit questioned this transaction, the bookkeeper was able to obtain a copy of the receipt from the staff member that made the purchase. Once the invoice was obtained, Internal Audit noted the item purchased appeared reasonable.

In general, the bookkeeper should only make disbursements after the invoices or receipts are obtained. The principal should not sign checks until he ensures adequate supporting documentation exists.

Exception No. 3: Bank Statement Review

The bookkeeper wrote a check payable to Virginia Beach City Public Schools for \$200.00. However, IA noted that someone had lined through the payee on the canceled check and changed it to the Treasurer of Virginia Beach. Neither the principal nor the bookkeeper had noticed it during their monthly review of the bank statement and neither knew how or why it had occurred. IA verified that the correct amount was deposited into the VBCPS bank account. In general, the principal and bookkeeper should review the bank statement, including copies of the canceled checks, for irregularities and investigating anything that is unusual.

Exception No. 4: Incorrect Account Coding

At the end of school year 2019-2020, the bookkeeper properly transferred all of the funds remaining in the “Class” accounts to the next year’s “Class” accounts. For example, last year’s Junior Class funds were transferred into the current year’s Senior Class account. These transfers allow the students’ funds to “roll” with them each year as they progress through high school. After the senior class graduates, their remaining funds are transferred into an Alumni account. IA noted during the year that the bookkeeper made three refunds to the incorrect Class accounts. These refunds were related to the Ring Dance scheduled for school year 2019-2020 that was canceled. One of these refunds was charged to the current year’s Junior Class account, while two were charged to the Alumni account. The three refunds should have been charged to the current year’s Senior Class account as that is where the funds resided after the annual “roll-up” was done.

Exception No. 5: Late Deposit

Three collections were deposited late. Details are as follows:

- Funds totaling \$1,578.34 were collected on 7/1/20 and not deposited until 7/15/20.
- Funds totaling \$2,369.59 were collected on 7/8/20 and not deposited until 7/15/20.
- Funds of \$70.00 were collected on 8/24/20 and not deposited until 8/27/20.

Sponsors are required to turn in funds daily, and the bookkeeper is required to deposit all funds received daily.

cc: Mr. James D. Miller, Principal
Mrs. Cheryl R. Woodhouse, Senior Executive Director of High Schools
Dr. Donald E. Robertson, Jr., Chief Schools Officer

Ms. Crystal M. Pate, Director, Office of Business Services
Mr. Farrell E. Hanzaker, Chief Financial Officer