



**MEMORANDUM**

**DATE:** September 28, 2020

**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:** FY20 School Activity Funds Audit – Exceptions Noted

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The school activity accounts of the Virginia Beach City Public Schools (VBCPS) were audited for the period from July 1, 2019 to June 30, 2020. The primary purpose of the audit was to determine if cash balances were properly stated as of June 30, 2020, but an important secondary purpose was to determine the level of compliance with policies and procedures. The school activity accounts were examined as of year-end at the eighty-six schools in the division. This report details the items the Office of Internal Audit (IA) noted at the schools that were in conflict with VBCPS policies and procedures and/or best practices but do not have a material effect on the financial statements.

IA tested cash receipts and cash disbursements on a sample basis for fifty-eight schools. IA performed analytical procedures on all schools. The results of the audit were provided to each individual school detailing the items noted during the audit. IA identified areas of improvement to nine high schools, five middle schools, and seventeen elementary schools. IA did not identify areas of improvement to the remaining schools.

Audit results are based on School Board policies and regulations, accounting procedures, the Business Manual for Schools, and proper internal controls. Each principal received a copy of his or her school's individual audit results with an opportunity to respond. A summary of all audit results has been included in an appendix to this report.

All or some of 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;
- Deficit accounts and proposals to eliminate the deficit balances for reasonableness;
- Other accounts as to the purpose, source, and use of funds; and
- Fluctuation analysis of accounts.

The following discrepancies were noted during the audit and were communicated directly to the schools after each school visit.

### **Exception No. 1: Cash Receipts**

Several schools had a variety of discrepancies related to cash receipts. These discrepancies included:

- Deposits not being made on a daily basis; and
- Incorrect account usage.

### **Exception No. 2: Cash Disbursements**

Several schools had a variety of discrepancies related to cash disbursements. These discrepancies included:

- Inadequate supporting documentation;
- Overpayment of a reimbursement;
- Late payment of invoices; and
- Incorrect account usage.

### **Exception No. 3: Accounting Procedures**

Several schools had a variety of discrepancies related to other accounting procedures. Some of these discrepancies included:

- Lack of proper account monitoring;
- Use of signature stamp on checks;
- Inappropriate fund transfers; and
- Timely remittance of funds.

#### **Exception No. 4: Accounting Software**

The Adult Learning Center has weaknesses in its accounting software system. This is a repeat finding from the 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, and 2008 audits.

- The system does not automatically sequence checks. While the actual checks themselves are pre-numbered, the bookkeeper must manually enter the check number in the system.
- The bookkeeper is unable to issue a system-generated receipt to staff members. When staff collects funds, the bookkeeper must issue a handwritten receipt from a receipt book to the staff member.
- The system is not “closed” on a monthly or yearly basis.
- The bookkeeper is unable to generate invoices or purchase orders from the software. The bookkeeper uses a Microsoft Word document for invoices and purchase orders, which are not entered into the system. The bookkeeper must manually track the last purchase order number or invoice used and must manually track open purchase orders and invoices.

The Director stated that he found a new registration software that should interface with School Funds Online (SFO) accounting software, which will resolve the above-mentioned limitations. The Director, the Office of Business Services, and the Department of Technology are working with SFO to ensure that the new registration software will properly interface with SFO. The Director stated he should know in Fall 2020 if the interface will function properly.

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

Mrs. Shirann C. Lewis, Senior Executive Director of Elementary Schools  
Dr. James J. Smith, Senior Executive Director of Middle Schools  
Mrs. Cheryl R. Woodhouse, Senior Executive Director of High Schools  
Dr. Donald E. Robertson, Jr., Chief Schools Officer

Attachment: Appendix

**SCHOOL ACTIVITY FUNDS AUDIT  
AUDIT RESULTS BY SCHOOL  
FISCAL YEAR ENDED JUNE 30, 2020**

IA did not provide any suggestions for improvement for the following schools:

**Schools with No Cash Receipt/Cash Disbursement Sample Testwork:**

**Middle Schools:**

Bayside  
Independence  
Larkspur  
Plaza  
Princess Anne

**Elementary Schools:**

Glenwood  
Hermitage  
Holland  
Indian Lakes

**Elementary Schools (continued):**

Kempsville  
Kempsville Meadows  
King's Grant  
Malibu  
North Landing  
Ocean Lakes  
Strawbridge  
Tallwood  
Thalia  
Trantwood  
Windsor Oaks  
Woodstock

**Schools with Cash Receipt/Cash Disbursement Sample Testwork:**

**High Schools:**

Advanced Technology Center  
Kempsville  
Ocean Lakes  
Renaissance Academy  
Salem  
Tallwood  
Technical and Career Education Center

**Middle Schools:**

Great Neck  
Kempsville  
Landstown  
Salem  
Virginia Beach

**Elementary Schools:**

Bayside  
Centerville  
Corporate Landing  
Creeds  
Diamond Springs  
Fairfield  
Green Run  
John B. Dey  
Kingston  
Landstown  
Luxford  
Newtown  
New Castle  
Parkway  
Point O'View  
Providence  
Red Mill  
Rosemont  
Rosemont Forest  
Salem  
Thoroughgood  
White Oaks

**SCHOOL ACTIVITY FUNDS AUDIT  
AUDIT RESULTS BY SCHOOL  
FISCAL YEAR ENDED JUNE 30, 2020**

IA identified the following areas that could be improved at the indicated schools:

Accounting Procedures	Incorrect Account Usage	Overpayment	Incomplete Documentation	Late Payment	Late Deposit	Inappropriate Transfer
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**Schools with No Cash Receipt/Cash Disbursement Sample Testwork:**

**Middle Schools:**

Corporate Landing		1				
Lynnhaven						1

**Elementary Schools:**

Arrowhead						1
Bettie F. Williams	1					
Seatack						1
Three Oaks	1					
Windsor Woods						1

**Schools with Cash Receipt/Cash Disbursement Sample Testwork:**

**High Schools:**

Adult Learning Center	1					
Bayside	1	1		4	2	2
First Colonial					1	
Floyd E. Kellam					1	
Frank W. Cox	2			1	1	
Green Run						8
Green Run Collegiate	4				1	2
Landstown						1
Princess Anne	1				1	

**Middle Schools:**

Bayside Sixth Grade Campus	1	1				
Brandon		1			1	
Old Donation	1					1

**Elementary Schools:**

Alanton						1
Birdneck					3	3
Brookwood			1			
Christopher Farms	2		1		8	1
College Park					1	
Linkhorn Park			1			
Lynnhaven		1			4	
Pembroke		1				
Pembroke Meadows	1				1	
Princess Anne					1	5
Shelton Park					1	
W.T. Cooke			1			1

X = No. of instances found where improvements could be made