




VIRGINIA BEACH CITY PUBLIC SCHOOLS

CHARTING THE COURSE

MEMORANDUM

DATE: February 4, 2021

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

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

SUBJECT: **Change in Bookkeeper School Activity Funds Audit
Salem Middle School**

We have audited the accompanying statement of cash receipts and disbursements of the school activity funds for Salem Middle School for the six-month period from July 1, 2020 to December 31, 2020. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Government Auditing Standards also require that we consider internal controls over financial reporting and compliance with requirements of laws, regulations, contracts, and grants. Management is responsible for establishing and maintaining effective internal controls. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on the financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving control over financial reporting and its operation that we consider to be material weaknesses.

As described in Note 1, Salem Middle School prepares the school activity funds financial statement on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The principal is responsible for the financial records, maintained on a cash basis, which reflect the receipt and disbursement transactions of the school activity funds.

In our opinion, the financial statement included in this report presents fairly, in all material respects, the school activity funds cash balance for Salem Middle School as of December 31, 2020, and the recorded cash transactions for the six-month period then ended using the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

cc: Dr. Tamika Singletary-Johnson, Principal
Dr. James J. Smith, Senior Executive Director of Middle 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

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

For the Six-Month Period Ended December 31, 2020

| Account Group | Balance 7/1/2020 | Cash Receipts | Cash Disbursements | Net Transfers | Balance 12/31/2020 |
|---|---------------------|------------------|-----------------------|------------------|-----------------------|
| Administrative Accounts | \$ 7,650 | 688 | 442 | (322) | 7,574 |
| Virginia High School League Accounts | 14,573 | 414 | - | (804) | 14,183 |
| Club and Student Activity Accounts | 4,345 | - | 979 | 322 | 3,688 |
| Athletic Accounts | (158) | 14 | 14 | - | (158) |
| Departmental Accounts | 19,976 | 157 | 5,243 | 804 | 15,694 |
| VBCPS Accounts | 950 | 310 | 106 | - | 1,154 |
| Clearing Accounts | - | 30 | 30 | - | - |
| Total | \$ 47,336 | 1,613 | 6,814 | - | 42,135 |
| Bank Interest | \$ 28 | 2 | - | - | 30 |
| Pictures | 6,273 | 305 | - | (317) | 6,261 |
| Staff Welfare | - | 250 | - | (208) | 42 |
| Supply Store | (888) | - | - | - | (888) |
| Office | - | - | 234 | 234 | - |
| Donations/Contributions | 30 | 131 | - | (5) | 156 |
| Office Depot Rebate | 261 | - | - | (234) | 27 |
| Staff Recognition | - | - | 208 | 208 | - |
| Procurement Card Rebate | 446 | - | - | - | 446 |
| Vending Operations | 478 | - | - | - | 478 |
| Parent Teacher Association | 1,022 | - | - | - | 1,022 |
| Administrative Accounts | 7,650 | 688 | 442 | (322) | 7,574 |
| Yearbook | 14,573 | 414 | - | (804) | 14,183 |
| Virginia High School League Accounts | 14,573 | 414 | - | (804) | 14,183 |
| Student Activities | - | - | 317 | 322 | 5 |
| Student Council Association | 1,677 | - | 252 | - | 1,425 |
| Art Club | 55 | - | - | - | 55 |
| Diversity Ambassadors | 29 | - | - | - | 29 |
| Kindness Club | 33 | - | 25 | - | 8 |
| Leadership Skills | 313 | - | - | - | 313 |
| National Junior Honor Society | 1,695 | - | 385 | - | 1,310 |
| Family, Career and Community Leaders of America | 303 | - | - | - | 303 |
| Technical Education Club | 240 | - | - | - | 240 |
| Club and Student Activity Accounts | 4,345 | - | 979 | 322 | 3,688 |
| Athletics Reimbursement | - | 14 | 14 | - | - |
| Cheerleaders | 4 | - | - | - | 4 |
| Athletic Clothes | (162) | - | - | - | (162) |
| Athletic Accounts | (158) | 14 | 14 | - | (158) |
| Instructional Materials | 4,341 | 74 | 5,219 | 804 | - |
| Library | 237 | 71 | 19 | - | 289 |
| Language Arts | 61 | 12 | - | - | 73 |
| Physical Education | 9,251 | - | - | - | 9,251 |
| Special Education | 926 | - | - | - | 926 |
| Band | 301 | - | - | - | 301 |
| Chorus | 583 | - | - | - | 583 |
| Orchestra | 656 | - | - | - | 656 |
| Teen Living | 1,143 | - | 5 | - | 1,138 |
| Technology Education | 1,504 | - | - | - | 1,504 |
| Advancement Via Individual Determination | 950 | - | - | - | 950 |
| Computer Supplies | 23 | - | - | - | 23 |
| Departmental Accounts | 19,976 | 157 | 5,243 | 804 | 15,694 |
| Calculator/Heart Monitor-Lost/Damaged | 350 | - | - | - | 350 |
| Technology | 300 | 310 | 106 | - | 504 |
| Textbooks-Lost | 300 | - | - | - | 300 |
| VBCPS Accounts | 950 | 310 | 106 | - | 1,154 |
| Clearing | - | 30 | 30 | - | - |
| Clearing Account | - | 30 | 30 | - | - |
| Total | \$ 47,336 | 1,613 | 6,814 | - | 42,135 |

Office of Internal Audit

Change in Bookkeeper School Activity Funds Audit
Salem Middle School
February 2021

NOTE TO THE FINANCIAL STATEMENT

NOTE 1 – Reporting Entity

Nature of Activities

The Commonwealth of Virginia requires that school activity funds be audited at least once a year by a duly qualified accountant or accounting firm approved by the local school board. School Board Policy 3-46 Audits requires that a special audit of individual school accounts be conducted whenever there is a change in principal or bookkeeper or at the request of the Audit Committee. School activity funds are comprised of numerous extracurricular school activities, groups, and clubs existing in the schools for the benefit of the students. The principal at each school is responsible for the records that are maintained for each fund.

Significant Accounting Policy

The financial statement has been prepared on the cash receipts and disbursements basis of accounting. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The cash basis differs from accounting principles generally accepted in the United States of America primarily because the effects of outstanding receivables and payables at the date of the financial statement are not included in the financial statement.

Cash

The principal and bookkeeper must establish a bank account in the name of the School Board of the City of Virginia Beach and the school name using the School Board's Federal Identification Number. This shall be the account for all school activities and all school activity funds. The account should be an interest-bearing checking account. The principal is also authorized to open a savings account or a certificate of deposit in the name of the school. During the audit period, there were no significant violations of those provisions.

The bank balances were collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"). Under the Act, banks holding public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks.