



MEMORANDUM

DATE: September 27, 2022

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

FROM: Ms. Karen W. Woodson, CIA ^{KW}
Interim Director, Office of Internal Audit

SUBJECT: FY22 School Activity Funds Audit – Exceptions Noted

The school activity accounts of the Virginia Beach City Public Schools (VBCPS) were audited for the period from July 1, 2021 to June 30, 2022. The primary purpose of the audit was to determine if cash balances were properly stated as of June 30, 2022, 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 and 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 seven high schools, ten middle schools, and nineteen 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 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 and procurement card purchases for proper supporting documentation and compliance with policies, regulations, and procedures.

Other Areas

- Bank statements received directly from the bank;
- 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;
- SFO receipt and points-of-collection do not match; and
- Incomplete supporting documentation.

Exception No. 2: Cash Disbursements

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

- Incorrect refund process;
- Incomplete supporting documentation;
- Late payment of invoices;
- Incorrect account usage; and
- Missing prior approval.

Exception No. 3: Accounting Procedures

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

- Payments to School Board employees not properly approved; and
- School not receiving commission check.

Other Items Noted No. 1: Gift Cards

IA noted 14 schools that purchased approved gift cards but did not track which student(s)/employee(s) the gift cards were given to or if the appropriate student(s)/employee(s) received the gift cards. There are no policies/procedures in place that address the tracking and distribution of gift cards to student(s)/employee(s). Tracking gift card distribution allows schools to ensure all gift cards purchased are given to the intended recipient for the intended purpose (i.e., indigent students, custodian appreciation week, teacher appreciation week, etc.). We recommend that the Office of Business Services (OBS) create guidance on tracking the purchase and distribution of approved gift cards and provide training to all bookkeepers.

Management's Response:

The Chief Financial Officer (CFO) concurs. OBS will create guidance on tracking the purchasing and distribution of gift cards and provide training to all bookkeepers by December 31, 2022.

Other Items Noted No. 2: School Negotiated Agreements

During fieldwork, IA noted at one high school that the Student Activities Coordinator (SAC) was communicating with a vendor attempting to negotiate discounts and pricing for items such as class rings, graduation robes, and other related items. Best business practice would be to have a contract with the vendor detailing the agreement of all prices. A SAC working with a vendor directly rather than through a contract could lead to inconsistencies between what the school is spending and receiving from the vendor. We recommend that the Office of Purchasing Services (Purchasing) provide guidance to the high schools reinforcing the importance of having a contract with vendors for class rings, graduation announcements, and other items of that nature.

Management's Response:

The CFO concurs. Purchasing will issue a memo through the Principals' Packet on October 6, 2022, addressing the requirement that schools have a contract for class rings, graduation announcements, and other items of that nature which they negotiate.

cc: Mr. Daniel G. Hopkins, Director, Office of Business Services
Mr. J. Kevin Beardsley, Director, Office of Purchasing Services
Ms. Crystal M. Pate, Chief Financial Officer

Ms. Danielle E. Colucci, Senior Executive Director of Elementary Schools
Dr. James J. Smith, Senior Executive Director of Middle Schools
Dr. Walter C. Brower, Jr., Senior Executive Director of High Schools
Mr. Matthew D. Delaney, Chief Schools Officer

Attachment: Appendix

**SCHOOL ACTIVITY FUNDS AUDIT
AUDIT RESULTS BY SCHOOL
FISCAL YEAR ENDED JUNE 30, 2022**

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

High Schools:

Advanced Technology Center
Bayside
Floyd E. Kellam
Landstown
Ocean Lakes
Princess Anne
Salem
Tallwood
Technical and Career Education Center

Middle Schools:

Bayside
Larkspur
Plaza
Princess Anne
Virginia Beach

Elementary Schools:

Alanton
Arrowhead
Bayside
Brookwood
Centerville
Christopher Farms
Diamond Springs
Fairfield
Glenwood
Green Run
Hermitage
Holland
Indian Lakes
John B. Dey
Kingston
Landstown
Linkhorn Park
Lynnhaven
Malibu
North Landing
Ocean Lakes
Parkway
Princess Anne
Providence
Red Mill
Rosemont
Rosemont Forest
Salem
Seatack
Shelton Park
Strawbridge
Thoroughgood
White Oaks
Windsor Woods
Woodstock
W. T. Cooke

**SCHOOL ACTIVITY FUNDS AUDIT
AUDIT RESULTS BY SCHOOL
FISCAL YEAR ENDED JUNE 30, 2022**

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

Accounting Procedures	Missing Prior Approval	Incorrect Account Coding	Incomplete Documentation	SFO Receipt and Point of Collection Don't Match	Late Payment	Late Deposit	Incorrect Process	Wrong Amount Paid	Unable to Determine if Wrong Amount Paid

High Schools:

Adult Learning Center	1								
First Colonial					1	1			
Frank W. Cox		2	1			1			
Green Run					3				
Green Run Collegiate						2			
Kempsville					1				
Renaissance Academy	1								

Middle Schools:

Bayside 6th Grade Campus			1			3			
Brandon		1	1						
Corporate Landing			1			2			
Great Neck		2	1						
Independence						1			
Kempsville				1					
Landstown			1						
Lynnhaven	1		1			1	X	0 of 8	
Old Donation				1					
Salem			1						

Elementary Schools:

Bettie F. Williams						1	X	0 of 1	
Birdneck					2				
College Park				1					
Corporate Landing						3			
Creeds						2	X	0 of 2	
Kempsville	1						X	0 of 15	
Kempsville Meadows							X	0 of 1	
King's Grant				1					
Luxford		1							
New Castle	1								
Newtown					1				
Pembroke							X	0 of 4	
Pembroke Meadows			1			1			
Point O'View							X	0 of 3	
Tallwood			1						
Thalia			1				X	0 of 2	
Three Oaks	1								
Trantwood			1				X	0 of 1	
Windsor Oaks		1					X	0 of 1	2 of 2

(ex. 1, 2, 3, etc.) = No. of exceptions found

X = Inadequate process identified