



MEMORANDUM

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

FROM: Ms. Karen W. Woodson, CIA, CFE^{KW}
School Board Internal Auditor, Department of Internal Audit

SUBJECT: **Change in Principal School Activity Funds Audit**
Seatack Elementary School

DATE: April 4, 2024

BACKGROUND

As part of the 2024 Audit Work Plan, the Department of Internal Audit (IA) has performed the Change in Principal School Activity Funds Audit for Seatack Elementary School.

The principal has the responsibility for safeguarding, accounting, and managing the school activity funds. The school activity funds are accounted for using the cash basis of accounting and are recorded by the bookkeeper in School Funds Online, the division's school-level accounting software. Examples of other discretionary income received by schools are payments made by parents, fundraisers, and other miscellaneous sources. Expenditures include school activities such as clubs, fundraisers, etc.; payroll expenditures are not allowed to be paid from these funds. School activity account regulations provide administrative control over the income and disbursement of monies for school activities and provide an accurate record of all financial transactions of these activities and organizations.

AUDIT OBJECTIVES, METHODOLOGY, RESULTS, AND CONCLUSIONS

Inquiry and examination of documents and data, interviews and site visits, were the methods of reviewing internal controls. IA judgmentally selected transactions to ensure that a variety of vendors and deposits were analyzed throughout the audit period, as a result this sample cannot be extrapolated across the entire population. The audit period was July 1, 2023, through February 29, 2024. The audit objectives, methodology, results, and conclusions are as follows:

1. Objective: Determine if cash balances were fairly stated for the audit period.
Methodology:
 - IA traced the prior year ending balance to this year's beginning balance;

AUDIT OBJECTIVES, METHODOLOGY, RESULTS, AND CONCLUSIONS, CONTINUED

- IA reviewed the bank reconciliation, year-end investment statement, as applicable, and the original bank statements during the audit period for unusual transactions;
- IA reviewed all transfers reducing cash, and other material transfers for allowability;
- IA reviewed a sample of cash disbursements to determine if the amounts paid matched the invoice/receipt and were coded to the correct account;
- IA reviewed a sample of cash receipts to determine if the amount collected was deposited and coded correctly;
- IA reviewed unpaid invoices;
- IA counted change funds;
- IA inspected the contents of the school's safe(s); and
- IA reviewed the general ledger to determine if there were any unusual transactions or accounts with inconsistent activity.

Results:

- IA determined from analysis and transactional testwork that the school balances appeared reasonable.

Conclusion: IA concluded that the cash balances at the school level are fairly stated.

2. Objective: To assess compliance with applicable policies and procedures.

Methodology:

- IA reviewed a sample of cash receipts to determine if the amounts were deposited timely;
- IA reviewed a sample of cash disbursements to determine if invoices were paid timely and if the check contained signatures for two authorized signatures;
- IA reviewed a sample of procurement card transactions to determine if the amounts paid were reasonable, were approved by the principal, and contained an itemized receipt or invoice to support the purchase;
- IA reviewed applicable disbursements over \$10,000 to determine if they were paid from a contract and/or were approved by the Office of Procurement Services; and
- IA evaluated certain policies and procedures related to transfers, banking, and account usage.

Results:

- All except one cash receipt reviewed were deposited timely;
- All invoices reviewed were paid timely, and the checks contained two authorized signers;
- All of the procurement card transactions reviewed were reasonable, were approved by the principal, and contained an itemized receipt or invoice to support the purchase;
- All disbursements above \$10,000 reviewed were paid from a contract and/or were approved by the Office of Procurement Services; and

AUDIT OBJECTIVES, METHODOLOGY, RESULTS, AND CONCLUSIONS, CONTINUED

- IA noted from items reviewed one exception related to certain policies and procedures with transfers, banking and account usage.

Conclusion: IA concluded that the school is compliant with the applicable policies and procedures with the exception of one late deposit and account monitoring.

3. Objective: To determine if internal controls are adequate and functioning as intended.

Methodology:

- IA conducted internal control interviews with the principal and the bookkeeper regarding the system of internal controls; and
- IA identified key internal controls and performed sample testwork on these significant controls to determine if they were working as intended.

Results:

- The principal and bookkeeper provided internal control information consistent with division requirements; and
- The sample testwork indicated that the school's significant internal controls are working as intended.

Conclusion: IA concluded that the internal controls are adequate and functioning as intended.

AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The results, findings, and suggestions for improvement for this audit were discussed with management. Audit results are based on School Board policies and regulations, accounting procedures, the *Business Manual for Schools*, and proper internal controls. The Statement of Cash Receipts and Disbursements has been included in the appendix to this report. We thank management and staff of the Department of School Leadership, Seatack Elementary School, and all others that were contacted for their cooperation throughout the audit.

cc: Mr. Matthew M. Fischi, Principal
Dr. Melanie J. Hamblin, Senior Executive Director of Elementary Schools
Mr. Matthew D. Delaney, Chief Schools Officer

Mr. Daniel G. Hopkins, Director, Office of Business Services
Ms. Crystal M. Pate, Chief Financial Officer

Attachment: Appendix

AUDIT RESULTS AND MANAGEMENT'S RESPONSES

Finding No. 1: Late Deposit

One collection totaling \$20.00 was received on 10/16/23 and not deposited until 2/26/24. The date on the copy of the point of collection and the transmittal envelope was modified to 2/16/24 with pen. The bookkeeper stated that she did not notice the date change on the receipt. The *Business Manual for Schools*, Section 9.1, "School Activity Account Receipts", states, "All funds must be turned in daily to the bookkeeper", and "Bank deposits should be made daily". When receipts are not turned in daily, funds are at risk of loss. When receipts are not reviewed for accuracy, deposit errors and inaccurate reporting may occur.

Recommendations:

IA recommends that the bookkeeper review the deposit details for accuracy and resolve any discrepancies with the receiptee. In addition, IA recommends that the principal be made aware if staff members are not turning in collections each day.

Management's Response:

The CSO concurs. The bookkeeper will review the deposit details for accuracy and resolve any discrepancies with the receiptee. The bookkeeper will inform the principal when staff members do not turn in collections each day.

Finding No. 2: Account Monitoring

The school had p-card charges totaling \$615.04 which were unpaid for two months. After IA questioned the balance, the bookkeeper stated that she was not aware of the outstanding balance. IA researched the balance and determined that the charges had already been paid using the school's allocation funds. The *Business Manual for Schools*, Section 4.1, "Accounting System/Records Overview", states, "The school activity account ledger shall be balanced at the end of each month and reconciled with the bank statement by the bookkeeper. Should any discrepancy exist, the principal must be notified and take action consistent with the responsibility of his/her position." School activity account balances that are over/understated may limit the ability for schools to purchase items that are necessary.

Recommendations:

IA recommends that the bookkeeper and principal monitor account balances regularly and take necessary action to address any deficit. In addition, IA recommends that the bookkeeper research accounts with balances that should be clearing regularly and seek guidance from School Business as needed.

Management's Response:

The Chief Schools Officer (CSO) concurs. The bookkeeper and principal will monitor account balances regularly and take necessary action to address any deficit balances. The bookkeeper will research accounts with balances that should be clearing regularly and seek guidance from School Business as needed.

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Eight-Month Period Ended February 29, 2024

Account Group	Balance 7/1/2023	Cash Receipts	Cash Disbursements	Net Transfers	Balance 2/29/2024
Administrative Accounts	\$ 24,786	2,585	3,180	-	24,191
Club and Student Activity Accounts	1,840	-	605	-	1,235
Departmental Accounts	2,790	-	9,445	-	(6,655)
VBCPS Accounts	(150)	-	-	-	(150)
Class/Scholarship/Grant Accounts	109	2,000	2,084	-	25
Total	\$ 29,375	4,585	15,314	-	18,646
Bank Interest	\$ 79	2	-	-	81
Pictures	4,039	575	-	-	4,614
Staff Welfare	278	585	699	-	164
Office	-	-	1,837	1,179	(658)
Postage	-	-	300	-	(300)
Donations/Contributions	16,802	370	-	-	17,172
Office Depot Rebate	620	-	-	(620)	-
Staff Recognition	(17)	500	-	-	483
School-Wide Fundraisers	1,797	553	344	-	2,006
Procurement Card Rebate	559	-	-	(559)	-
Book Fairs	629	-	-	-	629
Administrative Accounts	24,786	2,585	3,180	-	24,191
Student Activities	812	-	492	-	320
Student Council Association	508	-	-	-	508
Student Recognition	-	-	113	-	(113)
Go Green Club	520	-	-	-	520
Club and Student Activity Accounts	1,840	-	605	-	1,235
Library	2,226	-	-	-	2,226
Gifted	-	-	9,445	-	(9,445)
Computer Supplies	-	-	-	-	-
Field Trips	564	-	-	-	564
Departmental Accounts	2,790	-	9,445	-	(6,655)
Technology	(150)	-	-	-	(150)
VBCPS Accounts	(150)	-	-	-	(150)
Title I Reimbursement	-	-	2,084	-	(2,084)
Virginia Beach Education Foundation Grants	1	-	-	-	1
Outside Organization Grants	108	-	-	-	108
Business Service Administered Grants	-	2,000	-	-	2,000
Class/Scholarship/Grant Accounts	109	2,000	2,084	-	25
Total	\$ 29,375	4,585	15,314	-	18,646