



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**
Bettie F. Williams Elementary School

DATE: March 19, 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 Bettie F. Williams 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.

AUDIT OBJECTIVES, METHODOLOGY, RESULTS, AND CONCLUSIONS, CONTINUED

Methodology:

- IA traced the prior year ending balance to this year's beginning balance;
- 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 two cash receipts 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;

AUDIT OBJECTIVES, METHODOLOGY, RESULTS, AND CONCLUSIONS, CONTINUED

- There were no disbursements above \$10,000; and
- IA noted from items reviewed no exceptions 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 two late deposits.

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

Methodology:

- IA conducted internal control interviews with the principal and the substitute 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 substitute 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 and findings 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, Bettie F. Williams Elementary School, and all others that were contacted for their cooperation throughout the audit.

cc: Mr. Matthew A. Orebaugh, 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 Deposits

Two collections of \$45.50 and \$20.00 were received on 11/29/23 and not deposited until 12/5/23. *The Business Manual for Schools*, Section 9.1, School Activity Account Receipts, states, "Bank deposits should be made daily", and "The principal must inspect the contents of the locked cash box, safe, and/or other secure places periodically." The substitute bookkeeper stated she believes the funds were stored in the safe and she does not have access to the safe. The principal or other administrator with safe access should check the safe routinely so that funds can be deposited timely.

Recommendations:

IA recommends that the safe is checked daily to ensure timely deposit of funds placed in the safe.

Management's Response:

The Chief Schools Officer concurs. The school will begin checking the safe on a daily basis to ensure funds are deposited timely.

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	\$ 7,251	5,005	3,813	(4,545)	3,898
Club and Student Activity Accounts	1,122	-	3,790	3,102	434
Departmental Accounts	2,820	89	1,695	1,443	2,657
VBCPS Accounts	-	585	-	-	585
Class/Scholarship/Grant Accounts	(788)	2,872	3,459	-	(1,375)
Clearing Accounts	-	401	401	-	-
Total	\$ 10,405	8,952	13,158	-	6,199
General	\$ 31	-	-	-	31
Bank Interest	7	-	-	-	7
Pictures	1,017	609	-	(755)	871
Professional Development	-	-	281	281	-
Donations/Contributions	4,502	1,200	-	(5,010)	692
Office Depot Rebate	-	140	-	-	140
Staff Recognition	-	-	1,029	939	(90)
School-Wide Fundraisers	74	-	-	-	74
Procurement Card Rebate	397	-	-	-	397
Bottled Drinks Vending	1,223	553	-	-	1,776
Book Fairs	-	2,503	2,503	-	-
Administrative Accounts	7,251	5,005	3,813	(4,545)	3,898
Student Activities	-	-	3,129	3,129	-
Student Council Association	1,107	-	-	(500)	607
Student Recognition	15	-	661	473	(173)
Club and Student Activity Accounts	1,122	-	3,790	3,102	434
Instructional Materials	-	-	598	598	-
Instructional Equipment/Assets	105	-	-	-	105
Library	2,496	89	228	-	2,357
Art	150	-	-	-	150
Music	45	-	-	-	45
Field Trips	24	-	869	845	-
Departmental Accounts	2,820	89	1,695	1,443	2,657
Technology	-	585	-	-	585
VBCPS Accounts	-	585	-	-	585
Title I Reimbursement	(788)	2,872	3,459	-	(1,375)
Class/Scholarship/Grant Accounts	(788)	2,872	3,459	-	(1,375)
Change	-	100	100	-	-
United Way	-	301	301	-	-
Clearing Accounts	-	401	401	-	-
Total	\$ 10,405	8,952	13,158	-	6,199