



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
Pembroke Meadows Elementary School**

DATE: February 16, 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 Pembroke Meadows 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 December 31, 2023. 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 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 account 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 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 no exceptions from items reviewed 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.

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 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, Pembroke Meadows Elementary School, and all others who were contacted for their cooperation throughout the audit.

cc: Ms. Krista T. Clark, 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

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Six-Month Period Ended December 31, 2023

Account Group	Balance 7/1/2023	Cash Receipts	Cash Disbursements	Net Transfers	Balance 12/31/2023
Administrative Accounts	\$ 30,899	10,483	3,449	-	37,933
Club and Student Activity Accounts	1,437	-	228	-	1,209
Departmental Accounts	907	854	2,616	-	(855)
VBCPS Accounts	100	-	-	-	100
Class/Scholarship/Grant Accounts	994	4,000	2,075	-	2,919
Clearing Accounts	150	130	130	-	150
Total	\$ 34,487	15,467	8,498	-	41,456
General	\$ 15	-	-	-	15
Bank Interest	21	2	-	-	23
Pictures	20,733	-	-	-	20,733
Staff Welfare	225	1,270	143	-	1,352
Donations/Contributions	2,723	2,022	-	-	4,745
Office Depot Rebate	906	-	-	-	906
Staff Recognition	-	-	16	-	(16)
School-Wide Fundraisers	4,419	-	-	-	4,419
Procurement Card Rebate	1,117	-	-	-	1,117
Bottled Drinks Vending	740	-	-	-	740
Book Fairs	-	6,765	3,290	-	3,475
PTA/PTSA	-	424	-	-	424
Administrative Accounts	30,899	10,483	3,449	-	37,933
Student Activities	-	-	228	-	(228)
Student Council Association	1,437	-	-	-	1,437
Club and Student Activity Accounts	1,437	-	228	-	1,209
Instructional Materials	-	-	1,321	-	(1,321)
Library	235	65	-	-	300
Field Trips	672	789	1,295	-	166
Departmental Accounts	907	854	2,616	-	(855)
Textbook – Lost	100	-	-	-	100
VBCPS Accounts	100	-	-	-	100
Virginia Beach Education Foundation Grants	994	4,000	2,075	-	2,919
Class/Scholarship/Grant Accounts	994	4,000	2,075	-	2,919
Change	-	100	100	-	-
United Way	-	30	30	-	-
Clearing	150	-	-	-	150
Clearing Accounts	150	130	130	-	150
Total	\$ 34,487	15,467	8,498	-	41,456