



## MEMORANDUM

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

**FROM:** Ms. Karen W. Woodson, CIA, CFE <sup>KW</sup>  
School Board Internal Auditor, Department of Internal Audit

**SUBJECT:** **Change in Principal School Activity Funds Audit**  
**Virginia Beach Middle School**

**DATE:** April 8, 2024

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## 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 Virginia Beach Middle 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 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;
- 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 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 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, Virginia Beach Middle School, and all others that were contacted for their cooperation throughout the audit.

cc: Dr. Shana Remian, Principal  
Dr. James J. Smith, Senior Executive Director of Middle 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**

Two collections were deposited late;

- Funds received on 2/7/24, 2/8/24, and 2/12/24 totaling \$293 were not deposited until 2/21/24; and
- Funds received on 2/9/24, 2/12/24, and 2/14/24 totaling \$105 were not deposited until 2/29/24.

For the first deposit, the bookkeeper was on unplanned leave and the school did not have a designated employee to make deposits in the bookkeeper's absence. For the second deposit, a staff member receipted money but did not turn it in daily. *The Business Manual for Schools*, Section 9.1, "School Activity Account Receipts", states, "Bank deposits should be made daily" and, "All funds must be turned in daily to the bookkeeper." Section 9.6, "Receipt and Transmittal of Collections", states, "In the absence of the bookkeeper, a designated employee must complete the Substitute Daily Receipt form found on the Business Services forms page to employees transmitting collected money." Funds should be receipted and deposited in a timely manner to reduce the risk of loss.

### ***Recommendations:***

IA recommends that the school designate an employee to make deposits in the bookkeeper's absence. In addition, IA recommends that funds collected by staff are turned in and deposited daily.

### ***Management's Response:***

The Chief Schools Officer (CSO) concurs. The school will designate an employee to make deposits in the bookkeeper's absence. In addition, staff will turn in funds on the day collected and make deposits daily.

- *IA noted that the school has designated a staff member to make deposits in the absence of the bookkeeper.*

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

| Account Group                               | Balance<br>7/1/2023 | Cash<br>Receipts | Cash<br>Disbursements | Net<br>Transfers | Balance<br>2/29/2024 |
|---|---------------------|------------------|-----------------------|------------------|----------------------|
| Administrative Accounts                     | \$ 9,959            | 7,885            | 132                   | (2,499)          | 15,213               |
| Virginia High School League Accounts        | 3,621               | 160              | 273                   | 38               | 3,546                |
| Club and Student Activity Accounts          | 2,307               | 3,612            | 5,493                 | 1,601            | 2,027                |
| Athletic Accounts                           | (71)                | 1,041            | 869                   | -                | 101                  |
| Departmental Accounts                       | 9,089               | 20,289           | 12,200                | 822              | 18,000               |
| VBCPS Accounts                              | 726                 | 1,540            | 971                   | -                | 1,295                |
| Class/Scholarship/Grant Accounts            | 20                  | 2,000            | 215                   | -                | 1,805                |
| Clearing Accounts                           | 2,674               | 62               | 2,832                 | 38               | (58)                 |
| <b>Total</b>                                | <b>\$ 28,325</b>    | <b>36,589</b>    | <b>22,985</b>         | <b>-</b>         | <b>41,929</b>        |
| General                                     | \$ -                | -                | 15                    | -                | (15)                 |
| Student Concession/Vending                  | 155                 | -                | -                     | -                | 155                  |
| Bank Interest                               | 37                  | 2                | -                     | (38)             | 1                    |
| Pictures                                    | 2,189               | 1,550            | -                     | (30)             | 3,709                |
| School Spirit Wear                          | (1,188)             | 550              | -                     | 55               | (583)                |
| Donations/Contributions                     | 2,400               | 1,762            | -                     | (1,393)          | 2,769                |
| Office Depot Rebate                         | 331                 | -                | -                     | -                | 331                  |
| Staff Recognition                           | 10                  | -                | 90                    | 691              | 611                  |
| School-Wide Fundraisers                     | 1,088               | 3,307            | 27                    | (974)            | 3,394                |
| Indigent/Needy Students                     | 5                   | -                | -                     | -                | 5                    |
| Procurement Card Rebate                     | 4,577               | -                | -                     | -                | 4,577                |
| Bottled Drinks Vending                      | 355                 | 714              | -                     | (810)            | 259                  |
| <b>Administrative Accounts</b>              | <b>9,959</b>        | <b>7,885</b>     | <b>132</b>            | <b>(2,499)</b>   | <b>15,213</b>        |
| One Act Play                                | -                   | 160              | 233                   | 38               | (35)                 |
| Yearbook                                    | 3,621               | -                | 40                    | -                | 3,581                |
| <b>Virginia High School League Accounts</b> | <b>3,621</b>        | <b>160</b>       | <b>273</b>            | <b>38</b>        | <b>3,546</b>         |
| Student Activities                          | -                   | 1,756            | 1,139                 | (115)            | 502                  |
| Student Council Activities                  | 761                 | 311              | 523                   | 100              | 649                  |
| Student Recognition                         | -                   | -                | 1,230                 | 1,505            | 275                  |
| Student Orientation                         | -                   | 1,210            | 2,188                 | -                | (978)                |
| Band Club                                   | 65                  | 87               | 49                    | -                | 103                  |
| Environmental Club                          | 103                 | -                | -                     | 250              | 353                  |
| National Junior Honor Society               | 183                 | 185              | 79                    | (139)            | 150                  |
| Orchestra Club                              | 1,195               | 63               | 285                   | -                | 973                  |
| <b>Club and Student Activity Accounts</b>   | <b>2,307</b>        | <b>3,612</b>     | <b>5,493</b>          | <b>1,601</b>     | <b>2,027</b>         |
| Athletics Reimbursement                     | (37)                | 37               | -                     | -                | -                    |
| Baseball                                    | (10)                | -                | -                     | -                | (10)                 |
| Basketball                                  | 40                  | -                | -                     | -                | 40                   |
| Wrestling                                   | 55                  | -                | -                     | -                | 55                   |
| Tournament Reimbursement                    | (196)               | 196              | -                     | -                | -                    |
| Cheerleaders                                | 77                  | 808              | 869                   | -                | 16                   |
| <b>Athletic Accounts</b>                    | <b>(71)</b>         | <b>1,041</b>     | <b>869</b>            | <b>-</b>         | <b>101</b>           |
| Instructional Materials                     | 1,226               | 105              | 1,156                 | -                | 175                  |
| Library                                     | 1,040               | 197              | -                     | -                | 1,237                |
| Elective Art                                | -                   | -                | 701                   | 703              | 2                    |
| Guidance                                    | 107                 | -                | -                     | -                | 107                  |
| Language Arts                               | 424                 | -                | -                     | -                | 424                  |
| Physical Education                          | 715                 | 4,606            | 1,259                 | -                | 4,062                |
| Science                                     | 24                  | -                | -                     | 3                | 27                   |
| Special Education                           | 76                  | -                | -                     | -                | 76                   |
| Teen Living                                 | 3,984               | 2,280            | 1,207                 | -                | 5,057                |
| AVID  | 996                 | 11,925           | 6,734                 | -                | 6,187                |
| Reading                                     | 103                 | -                | -                     | -                | 103                  |
| Computer Supplies                           | 235                 | 60               | -                     | -                | 295                  |
| Field Trips                                 | 159                 | 1,116            | 1,143                 | -                | 132                  |

Appendix

Change in Principal School Activity Funds Audit  
Virginia Beach Middle School  
April 2024

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

|  |                  |               |               |            |               |
|--|------------------|---------------|---------------|------------|---------------|
| Career Skills                              | \$ -             | -             | -             | 116        | 116           |
| <b>Departmental Accounts</b>               | <b>9,089</b>     | <b>20,289</b> | <b>12,200</b> | <b>822</b> | <b>18,000</b> |
| Calculator/Heart Monitor Lost/Damaged      | 150              | -             | -             | -          | 150           |
| Technology                                 | 276              | 1,540         | 971           | -          | 845           |
| Textbooks - Lost                           | 300              | -             | -             | -          | 300           |
| <b>VBCPS Accounts</b>                      | <b>726</b>       | <b>1,540</b>  | <b>971</b>    | <b>-</b>   | <b>1,295</b>  |
| Virginia Beach Education Foundation Grants | 10               | 2,000         | 215           | -          | 1,795         |
| Individual/Memorial Scholarships           | 10               | -             | -             | -          | 10            |
| <b>Class/Scholarship/Grant Accounts</b>    | <b>20</b>        | <b>2,000</b>  | <b>215</b>    | <b>-</b>   | <b>1,805</b>  |
| United Way                                 | -                | -             | 139           | 139        | -             |
| Clearing Accounts                          | -                | 29            | 19            | -          | 10            |
| Virginia Beach Middle School League        | 2,674            | -             | 2,674         | -          | -             |
| Restitution                                | -                | 101           | -             | (101)      | -             |
| Returned Checks                            | -                | (68)          | -             | -          | (68)          |
| <b>Clearing Accounts</b>                   | <b>2,674</b>     | <b>62</b>     | <b>2,832</b>  | <b>38</b>  | <b>(58)</b>   |
| <b>Total</b>                               | <b>\$ 28,325</b> | <b>36,589</b> | <b>22,985</b> | <b>-</b>   | <b>41,929</b> |