



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: **Follow-up School Activity Funds Audit**
Frank W. Cox High School

DATE: March 7, 2024

BACKGROUND

As part of the 2024 Audit Work Plan, the Department of Internal Audit (IA) has performed the Follow-up School Activity Funds Audit for Frank W. Cox High 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 January 31, 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 cash receipts reviewed were deposited timely;
- All except one cash disbursement reviewed was 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;
- There were no disbursements above \$10,000; and

AUDIT OBJECTIVES, METHODOLOGY, RESULTS, AND CONCLUSIONS, CONTINUED

- IA noted from items reviewed two 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 one late payment, one incorrect account coding, and one payment made that included sales tax.

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 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, Frank W. Cox High School, and all others that were contacted for their cooperation throughout the audit.

cc: Dr. Michael D. Kelly, Principal
Dr. Walter C. Brower, Jr., Senior Executive Director of High 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 Payment and Sales Tax

Two invoices totaling \$815.89 were dated 6/20/23, and 6/26/23 were not paid until 8/14/23. In addition, the school paid sales tax totaling \$46.18, which had been included in the invoices. *The Business Manual for Schools*, Section 10.24, "Disbursements Process," states, "Every agency of local government that acquires goods or services... shall promptly pay for the completed delivered goods or services by the required payment date... not more than forty-five days after goods or services are received or not more than forty-five days after the invoice is rendered, whichever is later." *The Business Manual for Schools*, Section 10.34, "Virginia State Sales and Accommodations Tax," states, "Virginia Beach City Public Schools (VBCPS) is generally exempt from paying sales tax on tangible personal property..." The bookkeeper stated the vendor did not send the invoices until she received a past-due statement and reached out to them in August 2023. She also stated that she did not notice the sales tax on the invoices when making the payment. Payments made after the due date can damage the school's reputation as well as cause the school to incur late fees. Payment of sales tax on exempt purchases leads to overspending.

Recommendations:

IA recommends that the school review open purchase orders to ensure invoices are paid timely. IA recommends that the school request a credit for the sales tax paid in error. In addition, IA recommends that the school ensure all vendors have a tax-exempt form when making purchases.

Management's Response:

The Chief Schools Officer (CSO) concurs. The school will immediately review open purchase orders and request a credit for the sales tax paid in error by March 11, 2024. In addition, the school will ensure going forward that all vendors have a tax-exempt form when making purchases.

- *IA noted as a result of this audit that the school contacted the vendor to request a credit for sales tax paid in error. The vendor was not able to issue a credit for sales tax paid in a prior year.*

Finding No. 2: Account Coding

A \$59.81 purchase for a cheerleading competition was coded to the Gymnastics account. *The Business Manual for Schools*, Section 10.2, "Disbursements Process," states, "Disbursements must be charged to the appropriate activity fund whether or not a sufficient amount is in the account to cover it." The bookkeeper stated this purchase was coded in error. Incorrect coding of purchases will cause inaccurate ending balances in accounts, which can negatively impact purchasing decisions and financial reporting.

Recommendations:

IA recommends that the school correct the coding of the purchase and review the transaction history to confirm purchases reflect the correct activity account.

Management's Response:

The CSO concurs. The school will correct the account coding and monitor the transaction history of purchases for accuracy.

- *IA noted as a result of this audit that the \$59.81 purchase was corrected to reflect the proper account coding.*

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Seven-Month Period Ended January 31, 2024

Account Group	Balance 7/1/2023	Cash Receipts	Cash Disbursements	Net Transfers	Balance 1/31/2024
Administrative Accounts	\$ 22,427	55,029	45,990	(5,097)	26,369
Virginia High School League Accounts	1,035	15,976	1,176	(4,948)	10,887
Club and Student Activity Accounts	39,228	42,680	43,655	30,137	68,390
Athletic Accounts	236,208	60,622	152,076	(32,805)	111,949
Departmental Accounts	8,302	40,447	40,929	12,573	20,393
VBCPS Accounts	1,111	427	623	-	915
School Board Allocation Accounts	-	600	164	-	436
Class/Scholarship/Grant Accounts	85,748	22,880	11,983	140	96,785
Clearing Accounts	107	285	535	-	(143)
Total	\$ 394,166	238,946	297,131	-	335,981
General	\$ -	-	55	55	-
Student Concession/Vending	471	1,269	-	(886)	854
Staff Concession/Vending	38	111	-	(149)	-
Bank Interest	89	22	-	-	111
Pictures	4,812	8,438	-	(6,879)	6,371
Sunshine Fund – Staff Welfare	21	320	-	-	341
Falcon Central – Supply Store	1,214	505	1,355	-	364
Professional Development	-	750	5,562	4,812	-
Office	101	179	30,433	30,153	-
Donations/Contributions	10,683	27,810	-	(30,910)	7,583
Office Depot Rebate	267	-	-	(19)	248
Staff Recognition/Remembrance	(1,032)	-	4,034	4,942	(124)
School-Wide Fundraisers	433	120	-	-	553
Parking Decals	4,575	15,505	2,311	(5,746)	12,023
Indigent/Needy Students	57	-	-	-	57
School Beautification	43	-	-	-	43
Building/Grounds Improvements	-	-	2,240	40	(2,200)
Procurement Card Rebate	86	-	-	(47)	39
Bottled Drinks Vending	569	-	-	(463)	106
Administrative Accounts	22,427	55,029	45,990	(5,097)	26,369
Debate	200	-	30	-	170
Forensics	-	-	50	50	-
E Sports	264	-	-	-	264
Newspaper	3,106	1,585	1,227	(140)	3,324
Yearbook	4,858	6,985	37	(4,858)	6,948
VHSL Eastern Region Beach District	182	-	-	-	182
Non-Athletic Activity Host	(7,575)	7,406	(168)	-	(1)
Virginia High School League Accounts	1,035	15,976	1,176	(4,948)	10,887
Student Activities	1,716	261	2,093	2,116	2,000
Student Council Association	3,964	23,436	11,588	5,570	21,382
Student Recognition	(3,267)	1,750	3,220	2,462	(2,275)
Beach Buddies	1,050	-	89	-	961
Art Camp Club	824	-	-	-	824
AVID Club	65	-	-	-	65
Band Club	2,249	-	-	-	2,249
Crime Solvers	1	-	-	-	1
Chorus Club	535	-	-	-	535
Drama Club	4,585	-	1,030	5,414	8,969
DECA	123	10,248	9,325	-	1,046
Dance Club – Coquettes	10,158	-	11,057	11,436	10,537
Environmental Club	53	-	-	-	53
Future Business Leaders of America	844	698	712	300	1,130
FCCLA Home Economics	1,899	101	741	-	1,259
French Club	148	-	-	-	148

Appendix

Follow-up School Activity Funds Audit
Frank W. Cox High School
March 2024

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS, CONTINUED
For the Seven-Month Period Ended January 31, 2024

Fashion Marketing	\$ 4,178	2,760	2,868	2,839	6,909
Gay-Straight Alliance	50	-	-	-	50
German Club	347	-	-	-	347
Key Club	764	975	825	-	914
Math Honor Society	222	220	-	-	442
Future Medical Professional Club	272	-	-	-	272
National Honor Society	681	1,865	-	-	2,546
National English Honor Society	433	-	-	-	433
Rho Kappa Honor Society	1,138	-	-	-	1,138
National French Honor Society	433	-	-	-	433
National German Honor Society	9	96	-	-	105
Quill and Scroll Honor Society	12	-	-	-	12
National Art Honor Society	793	190	107	-	876
Tri-M Music Society	15	-	-	-	15
Smile Club	314	80	-	-	394
Falcon Photography Club	690	-	-	-	690
Step Team	1,326	-	-	-	1,326
National Science Honor Society	2,132	-	-	-	2,132
Spanish Honor Society	472	-	-	-	472
Club and Student Activity Accounts	39,228	42,680	43,655	30,137	68,390
Athletics Reimbursement	(741)	7,290	7,290	741	-
Officials Reimbursement	-	510	510	-	-
Baseball	406	3,444	7,500	6,847	3,197
Basketball	4,190	500	6,601	9,537	7,626
Field Hockey	607	700	4,520	8,854	5,641
Football	2,771	-	8,492	7,756	2,035
Golf	1,012	500	646	-	866
Gymnastics	3,368	2,313	6,260	3,246	2,667
Soccer	8,438	10,597	1,830	7,353	24,558
Softball	5,387	700	2,840	1,811	5,058
Tennis	1,141	700	148	2,171	3,864
Track	7,805	1,300	6,495	2,909	5,519
Volleyball	3,379	3,698	4,179	2,480	5,378
Wrestling	(4,104)	8,778	5,750	5,707	4,631
Swim Club	219	1,000	592	-	627
Tournament Reimbursement	(1,862)	3,108	3,636	148	(2,242)
Regional 5A/6A Tournament Host	-	-	5,751	-	(5,751)
State Tournament Host	-	-	687	-	(687)
Athletic Trainer	930	-	-	-	930
Cheerleaders	11,639	3,514	18,013	6,941	4,081
Invitational Tournaments	-	1,200	1,200	-	-
General Athletics	(360)	1,987	15,436	25,010	11,201
Lacrosse	3,004	3,143	5,625	8,043	8,565
Cross Country	300	-	-	-	300
Cox Camps	188,342	5,640	38,075	(132,359)	23,548
Rowing	337	-	-	-	337
Athletic Accounts	236,208	60,622	152,076	(32,805)	111,949
Instructional Materials	-	61	9,824	12,400	2,637
Library	324	156	244	-	236
Art	-	960	2,342	2,334	952
Guidance	(40)	20	-	35	15
Language Arts	280	-	-	-	280
Physical Education	(2,784)	5,640	-	(2,772)	84
Science	340	-	-	-	340
Special Education	4,575	13,148	11,935	(438)	5,350
Chorus	253	2,481	223	-	2,511
Orchestra	-	-	380	-	(380)

Appendix

Follow-up School Activity Funds Audit
Frank W. Cox High School
March 2024

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS, CONTINUED
For the Seven-Month Period Ended January 31, 2024

Technical Education	\$ 6	650	284	134	506
AVID Club	2,500	424	681	-	2,243
Business	100	-	-	-	100
World Language	6	-	-	-	6
Family and Consumer Science	2,682	890	485	100	3,187
Field Trips	(292)	14,457	11,466	(1,094)	1,605
College Board Tests	42	-	-	-	42
Virginia Teachers for Tomorrow	310	1,560	3,065	1,874	679
Departmental Accounts	8,302	40,447	40,929	12,573	20,393
Calculator/Heart Monitor Lost/Damaged	300	-	-	-	300
Technology	315	427	427	-	315
Textbooks – Lost	496	-	196	-	300
VBCPS Accounts	1,111	427	623	-	915
Diversity and Equity	-	600	164	-	436
School Board Allocation Accounts	-	600	164	-	436
Senior Class	8,464	2,262	2,572	190	8,344
Junior Class	2,861	-	2,125	-	736
Sophomore Class	1,000	291	-	-	1,291
Freshman Class	1,000	54	-	-	1,054
Alumni	34,767	-	-	(50)	34,717
Virginia Beach Education Foundation Grants	12	2,000	1,873	-	139
Outside Organization Grants	1,408	-	-	-	1,408
NJROTC Federal Program	14,425	18,273	3,413	-	29,285
Pepsi Scholarship	70	-	-	-	70
Individual/Memorial Scholarships	21,741	-	2,000	-	19,741
Class/Scholarship/Grant Accounts	85,748	22,880	11,983	140	96,785
Change	-	-	250	-	(250)
Clearing	-	285	285	-	-
Restitution	106	-	-	-	106
Bank Errors	1	-	-	-	1
Clearing Accounts	107	285	535	-	(143)
Total	\$ 394,166	238,946	297,131	-	335,981