



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 Bookkeeper School Activity Funds Audit**
Arrowhead Elementary School

DATE: April 10, 2024

BACKGROUND

As part of the 2024 Audit Work Plan, the Department of Internal Audit (IA) has performed the Change in Bookkeeper School Activity Funds Audit for Arrowhead 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:

AUDIT OBJECTIVES, METHODOLOGY, RESULTS, AND CONCLUSIONS, CONTINUED

- 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 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 invoices reviewed were paid timely, and the checks contained two authorized signers;

AUDIT OBJECTIVES, METHODOLOGY, RESULTS, AND CONCLUSIONS, CONTINUED

- 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
- IA noted from items reviewed no exceptions related to certain policies and procures 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, Arrowhead Elementary School, and all others that were contacted for their cooperation throughout the audit.

cc: Ms. Lisa M. Riley, 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 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	\$ 42,711	5,442	886	(1,929)	45,338
Club and Student Activity Accounts	887	238	549	532	1,108
Departmental Accounts	3,155	1,151	2,380	1,397	3,323
VBCPS Accounts	766	-	666	-	100
School Board Allocation Accounts	132	-	-	-	132
Class/Scholarship/Grant Accounts	192	4,632	2,387	-	2,437
Clearing Accounts	-	69	-	-	69
Total	\$ 47,843	11,532	6,868	-	52,507
General	\$ 12	-	-	-	12
Bank Interest	176	3	-	-	179
Pictures	13,815	2,386	-	(1,429)	14,772
Staff Welfare	1,643	1,760	413	-	2,990
Professional Development	50	-	-	-	50
Office	193	-	244	51	-
Donations/Contributions	2,646	-	-	-	2,646
Office Depot Rebate	713	-	-	(51)	662
School-Wide Fundraisers	3,098	223	-	-	3,321
Parking	-	1,070	-	-	1,070
School Anniversaries	134	-	-	-	134
Procurement Card Rebate	1,417	-	-	-	1,417
Bottled Drink Vending	861	-	-	-	861
Book Fairs	15,715	-	229	(500)	14,986
PTA/PTSA	2,238	-	-	-	2,238
Administrative Accounts	42,711	5,442	886	(1,929)	45,338
Student Activities	-	-	532	532	-
Student Council Association	791	238	17	-	1,012
Environmental Club	96	-	-	-	96
Club and Student Activity Accounts	887	238	549	532	1,108
Instructional Materials	32	-	1,299	1,299	32
Library	1,428	170	5	-	1,593
Music	1,377	-	-	-	1,377
Field Trips	318	981	1,076	98	321
Departmental Accounts	3,155	1,151	2,380	1,397	3,323
Technology	666	-	666	-	-
Textbooks – Lost	100	-	-	-	100
VBCPS Accounts	766	-	666	-	100
Summer School/ESY	132	-	-	-	132
School Board Allocation Accounts	132	-	-	-	132
Virginia Beach Education Foundation Grants	142	4,132	2,387	-	1,887
Outside Organization Grants	50	500	-	-	550
Class/Scholarship/Grant Accounts	192	4,632	2,387	-	2,437
Clearing	-	69	-	-	69
Clearing Accounts	-	69	-	-	69
Total	\$ 47,843	11,532	6,868	-	52,507