



VIRGINIA BEACH CITY PUBLIC SCHOOLS

CHARTING THE COURSE

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: FY2024 School Activity Funds Audit

DATE: August 20, 2024

BACKGROUND

As part of the calendar year 2024 Audit Work Plan, the Department of Internal Audit (IA) has performed the FY2024 School Activity Funds Audit.

Virginia Beach City Public School's (VBCPS) principals have the responsibility for safeguarding, accounting and managing 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 discretionary income received by schools are payments made by parents, fundraisers and 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, and as a result this sample cannot be extrapolated across the entire population. The audit period was July 1, 2023, through June 30, 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's 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 to the correct account;
- IA reviewed unpaid invoices;
- IA counted change funds;
- IA inspected the contents of the school's safe(s);
- IA reviewed the general ledger to determine if there were any unusual transactions or accounts with inconsistent activity; and
- IA analyzed significant variances in account balances as compared to the prior year.

Results:

- IA determined from analysis and transactional test work that the school balances appeared reasonable.

Conclusion: IA concluded that the cash balances at the division 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 the check contained signatures for two authorized signers;
- 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, account usage and cash collection and disbursement accounting procedures.

Results:

- All except 20 schools' cash receipts reviewed were deposited timely;
- All except nine schools' invoices reviewed were paid timely and all school's checks contained two authorized signers;
- All schools' disbursement transactions reviewed were reasonable and approved by the principal, and all except 10 schools had an itemized receipt or invoice to support the purchase;
- All schools' disbursements above \$10,000 reviewed were paid from a contract and/or were approved by the Office of Procurement Services;

AUDIT OBJECTIVES, METHODOLOGY, RESULTS AND CONCLUSIONS, CONTINUED

- IA noted from the items reviewed one school with exceptions related to transfers, one school with exceptions related to bank account reconciliation review and 20 schools with exceptions related to account usage and monitoring; and
- IA noted 11 schools with exceptions related to cash receipt and disbursement accounting procedures.

Conclusion: IA concluded that the division is compliant with the applicable policies and procedures with the exception of certain procedures at select schools.

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

Methodology:

- IA conducted internal control interviews with the principal and/or 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 division's significant internal controls are working as intended.

Conclusion: IA concluded that the internal controls are adequate and functioning as intended.

IA identified areas of improvement at 13 high schools, eight middle schools and 20 elementary schools. IA did not identify areas of improvement to the remaining schools.

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. Each principal signed a copy of his or her school's individual audit results. Management provided the response for each finding. The Statement of Cash Receipts and Disbursements and a Summary of the Audit Results by School has been included in the appendices. We thank management and staff of the Department of School Leadership, the schools and all others who were contacted for their cooperation throughout the audit.

cc: Mr. Matthew D. Delaney, Chief Schools Officer
Dr. Melanie J. Hamblin, Senior Executive Director of Elementary Schools
Dr. James J. Smith, Senior Executive Director of Middle Schools
Dr. Walter C. Brower Jr., Senior Executive Director of High Schools

Ms. Crystal M. Pate, Chief Financial Officer, Department of Budget and Finance
Mr. Daniel G. Hopkins, Director of Business Services

Attachments: Appendix A
Appendix B

AUDIT RESULTS AND MANAGEMENT'S RESPONSE

Finding No.1: Inadequate Account Monitoring

Seven schools did not monitor an account. After IA questioned the activity in the specific account, the following scenarios were noted:

- Fall 2023 picture commission of \$2,196.17 had not been received;
- Final yearbook commission of \$1,278.27 had not been received;
- Funds of \$3,000.00 from the graduation supply vendor agreement were miscoded and \$490.00 had not been received;
- Final yearbook commission of \$460.25 had not been received;
- A parent donation of \$1,300.00 was used for the items specified, however the bookkeeper had not transferred the money into the account where the purchases were charged;
- Membership dues of \$345.00 were collected but never paid to the organization; and
- Expense recoveries of \$6,333.05 were collected but not remitted to VBCPS.

The Business Manual for Schools, Section 2.4 Bookkeeper states, "The bookkeeper under the supervision of the principal, will receipt, deposit, account for...all funds flowing through the school activity accounts." These errors occurred because the account balances had not been monitored. Monitoring accounts throughout the year ensures that funds collected for a specific purpose are remitted, transfers are made as needed and funds due from vendors are received. Accurate financial reporting ensures that accounts are not under/overspent.

Recommendations:

We recommend that the bookkeeper routinely monitor account activity and the principal question balances during the review of the monthly financial statement.

Management's Response:

The Chief Schools Officer (CSO) concurs. The bookkeeper will routinely monitor account activity, and the principal will question balances during the review of the monthly financial statement.

Finding No. 2: Disbursements Without Adequate Documentation

Ten schools had one or more cash disbursement that did not have adequate documentation to support the purchase and/or refund. *The Business Manual for Schools, Section 10.1 School Activity Account Disbursements* states, "All school activity account disbursements must ...be supported by the following documentation: itemized receipts/invoices." After IA questioned the transactions, the bookkeeper was able provide the supporting documentation, and IA was able to confirm that the amount paid matched the invoice at eight schools, while two schools were unable to provide the receipt or invoice. An itemized receipt/invoice is required for all purchases to substantiate that the school's funds are being properly spent.

Recommendations:

We recommend that the bookkeeper obtain and maintain an itemized receipt, invoice or proof or original payment (for refunds) for each disbursement.

AUDIT RESULTS AND MANAGEMENT'S RESPONSE, CONTINUED

Management's Response:

CSO concurs. The bookkeeper, under the direction of the principal, will obtain and maintain an itemized receipt, invoice, or proof of original payment for each disbursement.

Finding No. 3: Late Deposit

Twenty schools had one or more points of collection that were deposited late. *The Business Manual for Schools*, Section 9.1 School Activity Account Receipts states, "Bank deposits should be made daily." Section 9.4 Daily Deposit Exceptions states, "Total cash/checks of no more than \$100 may make bank deposits less often than daily, but no later than by the end of the current work week..." Late deposits can be caused by staff not turning in collections daily or the bookkeeper not depositing funds daily or by the end of the work week as allowable. When funds are turned in and deposited daily it reduces the risk of loss or theft.

Recommendations:

We recommend that the principal remind staff to turn in all collections daily and the bookkeeper deposit funds the day they are received or by the end of the work week as allowable.

Management's Response:

CSO concurs. The principal will remind staff to turn in all collections daily and the bookkeeper deposit funds the day they are received or by the end of the work week as allowable.

Finding No. 4: Late Payments

Nine schools had a disbursement that was paid late. The payments ranged from 13 to 227 days late. *The Business Manual for Schools*, Section 10.24 Prompt Payment Requirements states, "The required payment date shall be either...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." Late payment can occur when the school is not reviewing open purchase orders. Payments made after the due date can damage the school's reputation as well as cause the school to incur late fees.

Recommendations:

We recommend the bookkeeper and principal scan all open purchase orders on a frequent basis to identify outstanding invoices and to pay invoices in a timely manner.

Management's Response:

CSO concurs. The bookkeeper, under the direction of the principal, will scan all open purchase orders on a frequent basis to identify outstanding invoices and to pay invoices in a timely manner.

Finding No. 5: Incorrect Account Coding

Ten schools had one or more points of collection, and four had one or more disbursements that were incorrectly coded. *The Business Manual for Schools*, Section 6.1 Coding of Activities – Schools states, "...receipts and disbursements of each school activity must be

AUDIT RESULTS AND MANAGEMENT'S RESPONSE, CONTINUED

recorded in the proper school activity account..." These errors were caused by lack of review by the bookkeeper and were not noticed by a staff member or principal. Incorrect account usage inaccurately reflects the amount of funds available.

Recommendations:

We recommend that the bookkeeper review receipt and disbursement coding for accuracy and the principal and staff members monitor account balances and question any discrepancies.

Management's Response:

CSO concurs. The bookkeeper will review receipt and disbursement coding for accuracy and the principal and staff members will monitor account balances and question any discrepancies.

Finding No. 6: Accounting Procedures

Thirteen schools did not follow accounting procedures, and these procedures are as follows:

- Funds were not being receipted at the time of collection;
- Points of collection (POC) were not properly completed, did not match the bank deposit and the transmittal envelope is not being adequately reviewed;
- Disbursement was over/underpaid or included the payment of sales tax;
- Change funds were not used as intended;
- Improper review of the bank reconciliation;
- Gift card log not used; and
- Improper transfers.

The Business Manual for Schools, states the following:

- Section 9.1 B School Activity Receipts states, "All collections must be receipted in a pre-numbered receipt book...written promptly by the employee (not the bookkeeper) upon receipt of funds."
- Section 9.6 Receipt & Transmittal of Collections states, "The bookkeeper must initial the Transmittal Envelope and return it to the employee making the transmittal. If there is a discrepancy between the cash count and the sponsor's records...the bookkeeper must document the difference, initial the Transmittal Envelope...the sponsor must adjust the Transmittal Envelope and initial, also."
- Section 10.2 Disbursement Process – Checks states, "Check signers must thoroughly review the supporting documentation prior to signing checks."
- Section 10.9 states, "The intent of the change fund is to provide change for a one-time event (e.g., athletic game, book fair)."
- Section 15.3 Bank Statement – Schools states that the bookkeeper should, "Review all checks that have cleared on the bank statement to verify the amount is the same as originally written and posted."
- Section 34.1 states, "Gift cards must be inventoried using the Gift Cards Purchased with School Activity Funds form which is found on the Business Services forms page."

AUDIT RESULTS AND MANAGEMENT'S RESPONSE, CONTINUED

- Section 7.8 School Board Allocation states, "School Board Allocation Accounts are for receipts received from central office for specific programs. Transfers cannot be made to or from these accounts."
- Section 9.21 Donations (Business) states, "When businesses make donations to a school... The money is transferred to a student-related account(s) for disbursement unless otherwise specified by donor."

These errors were caused by lack of staff training, review and/or monitoring. When funds are receipted at the point of collection it reduces the risk of loss or theft. A complete review of the cash collection documentation, including the transmittal envelope, is a control to ensure the accuracy of the school's collections. Failure to properly verify the POC total can result in lack of transparency and accountability that all funds collected are being deposited.

When invoices are paid the invoice should be reviewed prior to payment, and the amount of the check should match the invoice amount and should not include sales tax. In addition, a thorough review of check details ensures the accuracy during the bank account reconciliation process.

Use of a change fund provides money for staff members to dispense change during a fundraiser without commingling it with sales. The use of a Gift Cards Purchased with School Activity Funds form documents the custody of gift cards purchased and distributed. Transfers into School Board Allocation accounts commingle allocated funds and school-level funds, which makes it difficult to track the funds provided for a specific purpose, and donations being used for non-student related accounts limits the funds available for student use.

Recommendations:

We recommend that schools follow the recommended accounting procedures as follows:

- The principal and bookkeeper train staff to receipt funds at the point of collection in a receipt book or an Internal Auditing Control form.
- The bookkeeper verify the accuracy of money received and document the staff member's response if there is a discrepancy.
- The bookkeeper and principal compare the amount of the check to confirm that it matches the invoice prior to issuing the check.
- The bookkeeper thoroughly review the check detail when performing the monthly bank account reconciliation.
- The bookkeeper issue a change fund for fundraisers that may require change.
- The bookkeeper use the Gift Cards Purchased with School Activity Funds form to document gift cards purchased with school activity funds.
- The bookkeeper and principal review accounts being used for transfers and adhere to any restrictions of those, including those made by donors regarding the use of donated funds.

Management's Response:

CSO concurs. The bookkeeper and or principal will review and follow the accounting procedures recommendations listed above.

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

For the Year Ended June 30, 2024

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
High Schools:				
Bayside	\$ 106,380	337,890	299,631	144,639
First Colonial	130,485	331,740	345,350	116,875
Floyd E. Kellam	471,762	592,537	610,603	453,696
Frank W. Cox	394,166	600,122	522,249	472,039
Green Run	145,999	462,675	440,102	168,572
Green Run Collegiate	11,417	82,923	81,414	12,926
Kempsville	240,150	339,748	267,172	312,726
Landstown	182,195	499,101	460,587	220,709
Ocean Lakes	197,231	603,659	544,830	256,060
Princess Anne	242,429	468,330	413,614	297,145
Salem	173,336	348,307	354,245	167,398
Tallwood	192,344	330,737	337,687	185,394
Subtotal	2,487,894	4,997,769	4,677,484	2,808,179
Middle Schools:				
Bayside	15,152	38,901	31,188	22,865
Bayside 6th Grade Campus	6,681	19,032	20,466	5,247
Brandon	19,177	49,865	48,464	20,578
Corporate Landing	31,408	81,177	74,992	37,593
Great Neck	29,344	88,592	77,656	40,280
Independence	30,913	96,496	105,718	21,691
Kempsville	50,444	68,822	62,903	56,363
Landstown	67,075	77,862	80,148	64,789
Larkspur	60,799	60,334	74,977	46,156
Lynnhaven	16,236	78,963	66,682	28,517
Old Donation School	86,093	106,632	94,857	97,868
Plaza	67,404	90,367	113,382	44,389
Princess Anne	33,714	133,996	138,070	29,640
Salem	43,160	75,723	70,002	48,881
Virginia Beach	28,325	57,824	50,965	35,184
Subtotal	585,925	1,124,586	1,110,470	600,041
Elementary Schools:				
Alanton	63,401	23,248	25,363	61,286
Arrowhead	47,843	23,358	25,771	45,430
Bayside	16,322	27,893	31,993	12,222
Bettie F. Williams	10,405	21,574	27,009	4,970
Birdneck	42,626	39,238	34,392	47,472
Brookwood	19,292	30,894	32,241	17,945
Centerville	20,049	45,037	44,949	20,137
Christopher Farms	39,246	31,971	27,701	43,516
College Park	15,415	85,119	90,036	10,498
Corporate Landing	23,437	25,435	27,598	21,274
Creeds	30,539	32,987	37,688	25,838
Diamond Springs	13,563	21,027	18,294	16,296
Fairfield	25,532	49,228	63,689	11,071
Glenwood	30,101	34,434	31,541	32,994
Green Run	9,205	16,778	14,977	11,006
Hermitage	14,272	23,349	20,953	16,668
Holland	9,662	16,675	16,651	9,686
Indian Lakes	34,658	36,607	58,910	12,355

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS, CONTINUED
For the Year Ended June 30, 2024

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
Elementary Schools, continued:				
John B. Dey	\$ 35,589	48,525	51,273	32,841
Kempsville	26,527	43,021	19,699	49,849
Kempsville Meadows	24,939	25,969	23,177	27,731
King's Grant	36,096	36,539	33,586	39,049
Kingston	49,833	35,900	54,217	31,516
Landstown	32,641	29,503	20,347	41,797
Linkhorn Park	36,336	34,660	42,473	28,523
Luxford	28,440	13,196	21,276	20,360
Lynnhaven	13,068	40,008	34,282	18,794
Malibu	30,767	18,884	22,923	26,728
New Castle	29,584	61,525	59,066	32,043
Newtown	15,039	26,622	25,968	15,693
North Landing	23,879	48,725	50,002	22,602
Ocean Lakes	29,520	33,779	48,215	15,084
Parkway	9,153	42,466	41,386	10,233
Pembroke	52,623	31,879	37,077	47,425
Pembroke Meadows	34,487	34,929	30,827	38,589
Point O'View	14,758	31,151	33,410	12,499
Princess Anne	27,385	34,586	46,984	14,987
Providence	45,243	47,887	42,192	50,938
Red Mill	47,945	87,543	98,884	36,604
Rosemont	9,997	17,796	17,955	9,838
Rosemont Forest	32,550	35,408	40,012	27,946
Salem	33,317	26,591	24,876	35,032
Seatack	29,375	10,455	22,508	17,322
Shelton Park	45,468	30,923	26,099	50,292
Strawbridge	21,600	32,495	37,338	16,757
Tallwood	22,480	33,997	30,747	25,730
Thalia	22,229	34,102	32,650	23,681
Thoroughgood	37,926	49,630	42,213	45,343
Three Oaks	66,156	45,702	59,314	52,544
Trantwood	33,249	36,568	37,600	32,217
W. T. Cooke	31,804	27,050	26,585	32,269
White Oaks	35,595	35,249	42,038	28,806
Windsor Oaks	19,049	40,208	41,594	17,663
Windsor Woods	9,545	22,655	21,842	10,358
Woodstock	22,195	65,601	65,249	22,547
Subtotal	1,581,955	1,936,579	2,035,640	1,482,894
Other Schools:				
Adult Learning Center	211,954	293,855	273,610	232,199
Advanced Technology Center	58,766	71,484	67,071	63,179
Renaissance Academy	17,837	49,899	35,599	32,137
Technical & Career Education Center	283,205	194,823	180,945	297,083
Subtotal	571,762	610,061	557,225	624,598
Total	\$ 5,227,536	8,668,995	8,380,819	5,515,712

**SCHOOL ACTIVITY FUNDS AUDIT
AUDIT RESULTS BY SCHOOL
FISCAL YEAR ENDED JUNE 30, 2024**

IA did not identify areas of improvement at the following schools:

High Schools:

Advanced Technology Center
Landstown
Tallwood

Middle Schools:

Bayside 6th Grade Campus
Corporate Landing
Great Neck
Kempsville
Old Donation School
Salem
Virginia Beach

Elementary Schools:

Alanton
Bayside
Birdneck
Centerville
Christopher Farms
Creeds
Diamond Springs
Fairfield
Glenwood
Green Run
Hermitage
Indian Lakes
John B. Dey
King's Grant
Kingston
Luxford
Malibu
New Castle
Ocean Lakes
Point O'View
Princess Anne
Providence
Red Mill
Rosemont
Rosemont Forest
Salem
Seatack
Shelton Park
Strawbridge
Thoroughgood
Three Oaks
Trantwood
Windsor Oaks
Windsor Woods
Woodstock

SCHOOL ACTIVITY FUNDS AUDIT
AUDIT RESULTS BY SCHOOL
FISCAL YEAR ENDED JUNE 30, 2024

IA identified areas of improvement at the following schools:

	Accounting Procedures	Inadequate Account Monitoring	Incorrect Account Coding	Incomplete Documentation	Late Payment	Late Deposit
High Schools:						
Adult Learning Center		1				
Bayside	3			1		1
First Colonial				2	1	
Floyd E. Kellam			1			
Frank W. Cox			2			
Green Run		1	1	8		17
Green Run Collegiate	2			2		1
Kempsville			2			1
Ocean Lakes		1		1		
Princess Anne	1					1
Renaissance Academy			4			
Salem	1				1	
Technical & Career Education Center	1		1	1		
Middle Schools:						
Bayside						7
Brandon	2	1				
Independence	1				1	
Landstown			1			2
Larkspur	1					
Lynnhaven						2
Plaza					1	
Princess Anne	1			1		
Elementary Schools:						
Arrowhead					1	3
Bettie F. Williams						1
Brookwood			1			
College Park	2					1
Corporate Landing			1	3		1
Holland		1		3		1
Kempsville	1					
Kempsville Meadows		1				
Landstown						2
Linkhorn Park	1	1	1			
Lynnhaven						1
Newtown	1					5
North Landing			1		1	
Parkway			1			
Pembroke						3
Pembroke Meadows					1	
Tallwood				8	1	1
Thalia					1	1
White Oaks						2
W.T. Cooke			1			

*Number above indicates amount of exceptions found