



***Washoe County School District***

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**Every Child, By Name And Face, To Graduation**

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**Audit Report**

**Silver Lake Elementary School  
Student Activity Funds**

**July 18, 2023**

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Internal Audit Department

Kirk Starkey, CPA, Chief Auditor  
Matt McMahon, CIA, Internal Auditor

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## OVERVIEW

The Washoe County School District (WCSD) Internal Audit Department conducted an audit of Silver Lake Elementary School's student activity funds for the six months ended January 31, 2023, with an analysis of a judgmental sample of individual student activity fund accounts for Fiscal Year 2022 and Fiscal Year 2023 as of January 31, 2023. The objectives of the audit are to provide reasonable assurance that Silver Lake Elementary School's:

- Student activity fund financial records are correctly stated and support the corresponding financial statement prepared for the district as a whole for the most recent fiscal year end.
- Financial statement reporting requirements are met.
- Student activity fund internal controls are adequate.
- Employees understand and comply with district policies and procedures relative to student activity funds.
- Cash receipts are deposited promptly and are supported by valid documentation.
- Cash disbursements are properly authorized and supported by valid documentation.
- Cash receipts and cash disbursements are accurately recorded in the accounting records.
- Operations are efficient and effective to achieve a productive work environment.

To accomplish the audit objectives, we:

- Performed a surprise cash count.
- Interviewed management and staff at the school.
- Distributed confirmation letters to activity fund advisors.
- Completed testing and analysis of receipts and disbursements.
- Performed reconciliations.
- Assessed controls against student activity fund policies and procedures and WCSD regulations.

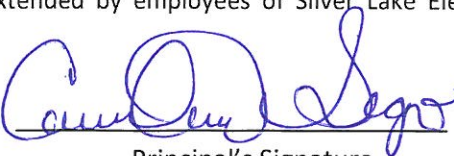
The internal control system developed for WCSD, in the form of the Student Activity Funds Procedures Manual (SAFPM), consists of policies and procedures designed to provide WCSD management with reasonable assurance that organizational goals and objectives with regards to student activity funds will be achieved. Please note that, although WCSD Business Office administration is responsible for establishing an effective system of internal control over student activity funds, it is the school principal's responsibility to ensure such system is maintained and operating at his/her respective school. Internal Audit is one of the monitoring tools available to assess the effectiveness of these internal controls.

We conducted this audit in accordance with the *International Standards for the Professional Practice of Internal Auditing* (IIA Standards), sans Standards 1310 through 1321. 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Based on the results of audit procedures performed, it is our opinion that school staff has materially complied with WCSD policies and procedures relative to student activity funds and that internal controls in place over Silver Lake Elementary School's student activity funds appear to be operating effectively and efficiently.

On the following pages are issues of non-compliance with certain laws and regulations relative to student activity funds that were noted during our audit. The courtesies and cooperation extended by employees of Silver Lake Elementary School during the audit are sincerely appreciated.

*Matt McMahon, CIA*  
Internal Auditor

  
Principal's Signature

*Kirk Starkey, CPA*  
Chief Auditor

\_\_\_\_\_  
Date Received

# ISSUES AND ACTION ITEMS

## ACCOUNT ACTIVITY - Restricted Funds & Staff Incentives

### ISSUE:

Restricted funds were spent on staff incentives.

### DISCUSSION AND BACKGROUND:

“Restricted” funds are raised for a specific purpose and/or for a specific group. Examples include textbook deposits or sales, lab or activity fees, fundraisers for class or extracurricular activities, or donations for scholarships or other designated purposes.

Gifts/incentives, prizes or awards for employees that are purchased with student activity funds monies may be purchased only from the “Staff Gifts and Incentives” account.

Information to parents regarding fundraising activities should include what the proceeds will be used for. All or a portion of the proceeds may be used for staff gifts and incentives only if this intended use, and the amount (dollars or percentage of proceeds) is specified in the information conveyed to the students and families at the outset of the fundraiser.

Detail analysis of account activity indicated staff-type purchases including meals, refreshments, and gifts. Review indicates funding is attributed to sources such as photo commission and fundraiser proceeds which were not restricted for staff expenses. Exceptions were as follows:

| Year | Account                             | Staff Expenses | Notes                                                                                                                                                          |
|------|-------------------------------------|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FY18 | 40-20-4172 Valentine's Dinner/Dance | \$ 478.29      | Expenses include meals and gifts. Funded from sales of dance tickets and grams.                                                                                |
| FY19 | 40-20-4172 Valentine's Dinner/Dance | 768.29         | Expenses include meals and gifts. Funded from sales of dance tickets and grams.                                                                                |
| FY22 | 40-10-9150 Staff Incentives         | 2,359.93       | Staff expenses include meals and refreshments. Funded from photo commission and fundraiser proceeds which were not for staff expenses.                         |
|      | 40-20-4146 My School Color Run      | 214.00         | Transferred to Staff Incentives account (included above).                                                                                                      |
|      | 40-20-4172 Valentine's Dinner/Dance | 1,242.20       | Expenses included meals and gifts. Funded from prior year sales of dance tickets, as well as fundraiser proceeds which were not restricted for staff expenses. |
|      | 40-30-3505 General Donations        | 26.41          | Expense includes a coffee pot. Funding includes photo commission from prior years.                                                                             |
| FY23 | 40-10-9150 Staff Incentives         | 4,041.15       | Expenses include shirts, coffee, and gifts. Funding is partially sourced from shirt sales (approx. \$500) which were not restricted for staff expenses.        |
|      | 40-20-4120 Clothing/Spirit Wear     | 143.22         | Expense includes a coffee pot. Funding includes student T Shirt sales which were not restricted for staff expenses.                                            |
|      | 40-30-3505 General Donations        | 826.49         | Expenses include a meal, gifts, and a coffee pot. Funding includes photo commission from prior years.                                                          |

**ACTION ITEMS:**

- Use restricted funds for their intended purpose.
- Ensure the purchase of meals for administrators or other school employees is paid for with funds restricted for that purpose.
- Ensure fundraising activities intended to support staff incentives are conveyed to students and families at the outset of the fundraiser.
- Ensure any staff expenses purchased with student activity funds are processed through the "Staff Gifts and Incentives" account.

THIS IS A RECURRING ISSUE NOTED IN THE PRIOR AUDIT PERFORMED FOR THE PERIOD ENDED JANUARY 31, 2017.

Reference: SAFPM v2, Page 6 - II. DEFINITION AND PURPOSE OF FUNDS, Section 3. TYPES OF FUNDS, A

Reference: SAFPM v2, Page 35 - IV. STUDENT ACTIVITY FUND PROCEDURES, Section 21. FUNDRAISING ACTIVITIES, M

Reference: SAFPM v2, Page 35 - IV. STUDENT ACTIVITY FUND PROCEDURES, Section 22. GIFTS/INCENTIVES, PRIZES & AWARDS, A - ii.

**RISKS:**

- Poor public image.
- Misappropriation of funds.

**MANAGEMENT RESPONSE:**

We will ensure fundraisers state the purpose of intended use and amount/percentage that will go to each account.

**EXPECTED COMPLETION DATE:**

November 2023

## **ADJUSTMENTS - Adjustments Not Documented / Approved**

### **ISSUE:**

Bank adjustments were not referenced directly on the bank statement.

### **DISCUSSION AND BACKGROUND:**

Record all monthly adjustments from all bank statements such as interest earnings, NSF checks, NSF fees, miscellaneous bank charges, scrip rebates, and correcting entries. Note the adjustment numbers next to the transactions on the bank statement. Sign and date the adjustment journal.

Detail testing of student activity fund transactions revealed four of four bank adjustments tested (100%) were not referenced directly on the bank statement with the corresponding journal entry number.

### **ACTION ITEM:**

- Note the adjustment numbers next to the transactions on the bank statement.

Reference: SAFPM v2, Page 27 - IV. STUDENT ACTIVITY FUND PROCEDURES, Section 15. END OF MONTH PROCESSING, B - x.

### **RISK:**

- Insufficient audit trail.

### **MANAGEMENT RESPONSE:**

All adjustment will be referenced on the appropriate bank statement.

### **EXPECTED COMPLETION DATE:**

August 2023

## **BANK STATEMENTS - Segregation of Duties**

### **ISSUE:**

Bank statements are received initially by the same individual charged with writing checks and performing the bank reconciliations.

### **DISCUSSION AND BACKGROUND:**

Bank statements are to be opened or electronically downloaded by the Principal or his/her designee. This person must be someone other than the bookkeeper charged with writing checks and performing the bank reconciliation. Evidence of this procedure must be documented on the Principal's Monthly Checklist (AF 3519).

Discussions during our surprise cash count on April 12, 2023, indicated the Administrative Secretary, who is charged with writing checks and performing bank reconciliations, initially receives the bank statements.

### **ACTION ITEM:**

- Ensure bank statements are opened or electronically downloaded by an individual who is not charged with writing checks or performing monthly bank reconciliations.

Reference: SAFPM v2, Page 11- IV. STUDENT ACTIVITY FUND PROCEDURES, Section 5. BANK STATEMENTS, A

### **RISK:**

- Misappropriation of funds.

### **MANAGEMENT RESPONSE:**

All mail from United Federal Credit Union is now opened only by administration.

### **EXPECTED COMPLETION DATE:**

August 2023

## **CASH RECEIPTS - Non-Use of Cash Count Slips & Deposit Reconciliation**

### **ISSUE:**

Funds for deposit are not always recorded or documented, and deposit documents are not always reconciled to total funds for deposit.

### **DISCUSSION AND BACKGROUND:**

All funds turned in to the school office will be accompanied by a fully completed Cash Count Slip (AF 3504) and Individual Receipt Log (AF 3512) and must be verified by the school bookkeeper and entered into the point-of-sale system or recorded in the receipt book prior to deposits being taken to the bank.

When it is time to prepare the bank deposit, all funds for deposit shall be summarized on a Bank Deposit Summary. The total of all funds for deposit are then reconciled to the total of all Cash Count Slips. Any variances should be immediately investigated and reconciled. Attach the Bank Deposit Summary to the corresponding Cash Count Slips and file this deposit packet in chronological order with other student activity funds accounting records.

Detail analysis of bank adjustments indicates funds were not always accompanied by Cash Count Slips and were not always recorded in the receipt book -- two of four (50%) adjustments tested reflect bank deposit overages.

Additionally, review of Bank Deposit Summary forms related to these overages did not indicate any noted discrepancies between the total of funds and the total of Cash Count Slips, which indicates the total of all funds for deposit were not reconciled to the total of all Cash Count Slips. Notably, these overages were addressed by adjustments as approved and documented in the same month's bank reconciliation & adjustment journal.

### **ACTION ITEMS:**

- Ensure all funds turned in to the school office are accompanied by a fully completed Cash Count Slip and an Individual Receipt Log as appropriate.
- Ensure Funds are recorded in the receipt book prior to deposits being taken to the bank.
- Reconcile the total of all funds for deposit to the total of all Cash Count Slips, and immediately investigate and reconcile any variances.

Reference: SAFPM v2, Page 9 - IV. STUDENT ACTIVITY FUND PROCEDURES, Section 4. BANK DEPOSITS, A (ii)

Reference: SAFPM v2, Page 10 - IV. STUDENT ACTIVITY FUND PROCEDURES, Section 4. BANK DEPOSITS, B (ii)

Reference: Administrative Form 3504 - Cash Count Slip

Reference: Administrative Form 3512 - Individual Receipt Log

### **RISK:**

- Misappropriation of funds.

**MANAGEMENT RESPONSE:**

We will ensure all funds have a Cash Count Slip, are recorded in the receipt book and will investigate any differences, asap.

**EXPECTED COMPLETION DATE:**

August 2023

## CASH RECEIPTS - Untimely Bank Deposits

### ISSUE:

Bank deposits were not made in accordance with the timeframes established in the SAFPM.

### DISCUSSION AND BACKGROUND:

Bank deposits must be made no less than once per week, or whenever receipts equal or exceed amounts as follows:

High schools \$2,500

Middle schools: \$1,500

Elementary schools: \$1,000

Regular deposits are encouraged on the last working day of the week to ensure funds are not left in the school over the weekend.

Detail testing of cash receipts and deposits revealed three of four deposits tested (75%) were either not made each week when funds were received or exceeded the elementary school amount. Exceptions were as follows:

| Date              | Amount      | Description                                               |
|-------------------|-------------|-----------------------------------------------------------|
| October 21, 2022  | \$ 8,290.32 | Receipted funds exceeded amount                           |
| November 4, 2022  | 14,274.07   | Receipted funds held over the weekend and exceeded amount |
| December 16, 2022 | 3,157.75    | Receipted funds held over the weekend and exceeded amount |

### ACTION ITEMS:

- Make bank deposits at least once per week or when receipts equal or exceed \$1,000.
- Never leave funds at the school over a weekend or school break.

THIS IS A RECURRING ISSUE NOTED IN THE PRIOR AUDITS PERFORMED FOR THE PERIODS ENDED JANUARY 31, 2017, AND FEBRUARY 29, 2012.

Reference: SAFPM v2, Page 10 - IV. STUDENT ACTIVITY FUND PROCEDURES, Section 4. BANK DEPOSITS, A - v-vi.

### RISK:

- Misappropriation of funds.

### MANAGEMENT RESPONSE:

We will work to ensure deposits are made each week or whenever deposits are \$1000 or greater.

### EXPECTED COMPLETION DATE:

August 2023

## **CASH RECEIPTS - Unverified Funds**

### **ISSUE:**

Funds collected in the classroom were not turned in to the office or were not receipted timely.

### **DISCUSSION AND BACKGROUND:**

When class fees are collected in the classroom, the teacher or activity advisor will utilize the Individual Receipt Log (AF 3512) to record the source and amount of collected funds. The teacher or advisor will complete the Cash Count Slip (AF 3504), attach a copy of the log, and turn all collected funds in to the school office daily. Money should never be left in a classroom overnight or removed from the school premises.

Examination of receipts and cash count slips indicates one of fifteen receipts tested (7%) reflected unverified funds were left in the classroom overnight.

Additionally, for six of fifteen receipts tested (40%), it was indeterminable whether collections were submitted to the office the same day they were received due to lack of supporting documentation (comprised of book fair & fundraiser proceeds.)

Additionally, review of confirmation responses from activity advisors indicated two of fourteen advisors (14%) did not always submit collected funds to the office daily.

### **ACTION ITEM:**

- Inform staff about turning in collected funds daily when received, including a completed Cash Count Slip and appropriate supporting documentation.

THIS IS A RECURRING ISSUE NOTED IN THE PRIOR AUDITS PERFORMED FOR THE PERIODS ENDED JANUARY 31, 2017, AND FEBRUARY 29, 2012.

Reference: SAFPM v2, Page 15 - IV. STUDENT ACTIVITY FUND PROCEDURES, Section 7. CASH RECEIPTS, A - ii (2)

Reference: Administrative Form 3512 - Individual Receipt Log

Reference: Administrative Form 3504 - Cash Count Slip

### **RISK:**

- Misappropriation of funds.

### **MANAGEMENT RESPONSE:**

Staff will be reminded to deposit funds daily whenever class funds are collected.

### **EXPECTED COMPLETION DATE:**

August 2023

## **CASH RECEIPTS - Verification of Funds**

### **ISSUE:**

Cash Count Slips did not evidence secondary verification.

### **DISCUSSION AND BACKGROUND:**

The office staff member receiving the funds should count the funds in the presence of the depositor and verify that the funds equal what has been recorded on the Cash Count Slip (AF 3504). The office staff member will then sign and date the Cash Count Slip evidencing that s/he has performed this verification. If the depositor is not available at the time the funds are counted/verified the office staff member counting the funds should have a second person present to verify the count.

Cash received in the office should be verified at the time it is received; the Cash Count Slip (AF 3504) should be signed and dated; and the cash should be properly stored and safeguarded.

Detail testing of cash receipts and deposits indicated one of fifteen Cash Count Slips reflected individual verification for a receipt totaling \$9,276. Additionally, a cursory review of documents revealed various cash count slips reflected only one signature. Many of these receipts appeared attributable to fundraiser proceeds.

### **ACTION ITEMS:**

- Verify and receipt funds in the presence of the advisor/teacher when received.
- If the advisor/teacher or bookkeeper is not immediately available, ensure funds are counted in the presence of another individual, evidenced by two signatures on Cash Count Slips.

Reference: SAFPM v2, Page 17 - IV. STUDENT ACTIVITY FUND PROCEDURES, Section 7. Cash Receipts, B – ii

Reference: SAFPM v2, Page 16 - IV. STUDENT ACTIVITY FUND PROCEDURES, Section 7. Cash Receipts, A - vi (1)

Reference: Administrative Form 3504 - Cash Count Slip

### **RISK:**

- Misappropriation of funds.

### **MANAGEMENT RESPONSE:**

All cash count slips will be reviewed at time of deposit for secondary verification/signatures.

### **EXPECTED COMPLETION DATE:**

August 2023

## **LACK OF CROSS-TRAINING - Bookkeeper's Absence**

### **ISSUE:**

No trained backup in case the administrative secretary is unavailable.

### **DISCUSSION AND BACKGROUND:**

Another staff member should be cross-trained in the bookkeeper/secretary's duties and responsibilities in the event of emergency or extended absence.

The school principal is fully accountable to the Superintendent for management and oversight of all school funds. This includes, but is not limited to, ensuring that staff is properly trained, a backup for the bookkeeper has been designated and properly trained, all procedures are followed, and an annual financial report (year-end closing reports) is submitted to the appropriate District office.

Discussions with the administrative secretary during the surprise cash count on April 12, 2023, indicated there is no one trained to provide backup in case the administrative secretary is unavailable to perform her job functions.

### **ACTION ITEM:**

- Ensure a backup for the administrative secretary has been designated and properly trained in the event of emergency or extended absence.

Reference: SAFPM v2, Page 7 - III. SCHOOL LEVEL RESPONSIBILITIES FOR ADMINISTERING FUNDS, Section 1. SCHOOL PRINCIPAL B.

### **RISK:**

- Job duties could not be performed if the administrative secretary were unavailable.

### **MANAGEMENT RESPONSE:**

*We will work to cross train an available and willing employee on bookkeeping duties.*

### **EXPECTED COMPLETION DATE:**

*Unknown*

## REPORTING - Negative Balances

### ISSUE:

Certain activity accounts reflected negative balances.

### DISCUSSION AND BACKGROUND:

Deficit spending is not an approved accounting procedure at any time. Student activity funds account advisors must request a transfer of funds from a discretionary account (e.g., the principal's fund) prior to expending any funds that would result in a deficit balance. Funds may not be transferred to another school account without the approval of the principal or his/her designee as evidenced on the Transfer Authorization Form (AF 3524).

Analysis of activity accounts revealed negative balances in the following activity accounts:

| Month         | Amount     | Account                          |
|---------------|------------|----------------------------------|
| October 2021  | \$ (56.07) | 40-10-0168 1 <sup>st</sup> Grade |
| December 2021 | (193.56)   | 40-10-3383 Staff Shirts          |
| January 2023  | (207.08)   | 40-10-3200 Library               |

### ACTION ITEM:

- Request a transfer of funds from a discretionary account (e.g., the principal's fund) prior to expending any funds that would result in a deficit.

THIS IS A RECURRING ISSUE NOTED IN THE PRIOR AUDIT PERFORMED FOR THE PERIOD ENDED JANUARY 31, 2017.

Reference: SAFPM v2, Page 21 - IV. STUDENT ACTIVITY FUND PROCEDURES, Section 11. DEFICIT SPENDING, A - B

Reference: Administrative Form 3524 - Transfer Authorization

### RISK:

- Expenditures exceeding available funds.

### MANAGEMENT RESPONSE:

Account balances will be verified prior to expending any funds.

### EXPECTED COMPLETION DATE:

August 2023

## **SECURITY - Access to the Safe**

### **ISSUE:**

Multiple individuals can access funds alone.

### **DISCUSSION AND BACKGROUND:**

Proper safeguarding of assets requires funds to be kept secure until deposited. Acceptable means of protecting monies on hand from potential loss or theft, beginning with the most secured and preferred means are:

- 1) Dual access drop safe, secured to the building
- 2) Dual access safe, secured to the building
- 3) Dual access drop box, secured to the building
- 4) File cabinet with metal bar securing the drawers and locked with a padlock.

Access to the safe should be limited and require two individuals to open it. Dual access may be by two keys, a combination and a key, or a combination or a key and securing the vault/room where the safe is located.

Ensure proper access by giving the combination to two individuals (e.g., secretary and clinical aide) and giving the key to two separate individuals (e.g., principal and dean of students).

A school without a dual access safe must maintain a Safe/Vault Access Log (AF 3522) to record authorized personnel who access the safe. This is a temporary control until the school is able to purchase and install an appropriate safe.

Observation and discussion with the administrative secretary during the surprise cash count on April 12, 2023, indicated the principal and administrative secretary can both access funds alone.

### **ACTION ITEMS:**

- 1) Consider purchasing a dual access safe with a drop box to securely store student activity funds until deposited. Maintain safe in a secure area.
  - Ensure funds are appropriately safeguarded by requiring involvement of two individuals when accessing funds from the safe by:
    - (a) giving the combination to two individuals (e.g., secretary and clinical aide) and
    - (b) giving the key to two separate individuals (e.g., principal and dean of students).

OR

- 2) Use and maintain a Safe/Vault Access Log to record authorized personnel who access the safe until the school is able to purchase and install an appropriate safe.

THIS IS A RECURRING ISSUE NOTED IN THE PRIOR AUDITS PERFORMED FOR THE PERIODS ENDED JANUARY 31, 2017, AND FEBRUARY 29, 2012.

Reference: SAFPM v2, Page 45 - IV. STUDENT ACTIVITY FUND PROCEDURES Section 33.  
SAFEGUARDING OF ASSETS, A - D

Reference: Administrative Form 3522 - Safe/Vault Access Log

**RISK:**

- Misappropriation of funds.

**MANAGEMENT RESPONSE:**

We have begun using the Safe/Vault Access log. Only the secretary & principal or dean have access to the safe.

**EXPECTED COMPLETION DATE:**

July 2023

**Washoe County School District  
Silver Lake Elementary School  
Student Activity Funds -- Account Summary FY22**

| <b>School Year 2021-2022</b> |                                           |                  |                  |                  |                                         |
|------------------------------|-------------------------------------------|------------------|------------------|------------------|-----------------------------------------|
| <b>Functions</b>             | <b>Beginning Balance<br/>July 1, 2021</b> | <b>Income</b>    | <b>Expenses</b>  | <b>Transfers</b> | <b>Ending Balance<br/>June 30, 2022</b> |
| Class Accounts               | 10,489.05                                 | 4,926.00         | 8,985.06         | (68.70)          | 6,361.29                                |
| Administration               | 5,335.87                                  | 5,403.00         | 7,557.66         | 977.27           | 4,158.48                                |
| Fundraisers                  | 28,490.33                                 | 19,902.10        | 12,424.81        | 1,048.56         | 37,016.18                               |
| Donations                    | 3,005.44                                  | 2,547.00         | 1,290.90         | (1,957.13)       | 2,304.41                                |
| <b>Totals</b>                | <b>47,320.69</b>                          | <b>32,778.10</b> | <b>30,258.43</b> | <b>-</b>         | <b>49,840.36</b>                        |