



Washoe County School District

Every Child, By Name And Face, To Graduation

Audit Report

**Peavine Elementary School
Student Activity Funds**

April 12, 2023

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 Peavine 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 Peavine 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 *Internal Standards for the Professional Practice of Internal Auditing* (IIA 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 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 Peavine 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 Peavine Elementary School during the audit are sincerely appreciated.

Matt McMahon, CIA

Internal Auditor

Kirk Starkey, CPA

Chief Auditor

Principal's Signature

Date Received

ISSUES AND ACTION ITEMS

ACCOUNT ACTIVITY - Restricted Funds

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.

Detail analysis of the Principal's Discretionary Fund account indicated nearly \$250 expended on staff-type purchases including food and refreshments. Review indicates partial funding is attributed to restricted funds, such as photo commission.

ACTION ITEMS:

- Use restricted funds for their intended purpose.
- Ensure the purchase of meals for administrators or other school employees are paid for with funds restricted for that purpose.
- Ensure any staff expenses purchased with student activity funds are processed through the "Staff Gifts and Incentives" account.

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

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

Legal Reference: SAFPM v2, Page 40 - IV. STUDENT ACTIVITY FUND PROCEDURES, Section 27. Prohibited Expenditures, A - ii

RISKS:

- Poor public image.
- Misappropriation of funds.

MANAGEMENT RESPONSE:

Thank you for bringing this to our attention. We will make note and not do this in the future. We are going to hold a small fundraiser outside of PTA to fund our staff incentive fund and we will make sure to specifically state that it is money for “staff incentives”.

EXPECTED COMPLETION DATE:

Immediately.

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 indicated one of three deposits (33%) were not made each week when funds were received.

Additionally, observation during the surprise cash count on March 15, 2023, indicated funds were held over the weekend.

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 NOVEMBER 30, 2016, FEBRUARY 29, 2012, AND JUNE 30, 2005.

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

RISK:

- Misappropriation of funds.

MANAGEMENT RESPONSE:

There are often no funds to deposit on a weekly basis, however, when there are we will make sure to deposit funds on Fridays when the bank does their run. The instance when there were funds held over the weekend was our librarian who held money in the library from the book fair. She has since resigned and our new librarian is aware that this is not acceptable.

EXPECTED COMPLETION DATE:

Immediately.

CASH RECEIPTS - Verification of Funds

ISSUE:

The administrative secretary verifies funds alone.

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 three of six (50%) Cash Count Slips reflected individual verification.

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.
- When checks are received in the mail, have one staff member complete the Cash Count Slip and another staff member verify the funds.

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

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

Legal Reference: Administrative Form 3504 - Cash Count Slip

RISK:

- Misappropriation of funds.

MANAGEMENT RESPONSE:

While the administrative secretary has been the only one to sign off on the cash count slips, the clinical aide has historically always been in attendance when the cash is counted. In the future, all cash will be counted by both the administrative secretary and then verified by the clinical aide and both will sign off on the cash count slip. In the instance that one of them is absent, the principal or the counselor will serve to verify the funds and sign off on the cash count slip.

EXPECTED COMPLETION DATE:

Immediately.

PURCHASING CARD - Administrative Approval

ISSUE:

Pcard Requests did not reflect the administrator approval signatures.

DISCUSSION AND BACKGROUND:

A minimum of three different individuals are to be involved in every disbursement.

All disbursements must be authorized by a properly completed and approved Check Authorization (AF 3506), Pcard Request (AF 3516), or School Purchase Order (AF 3520). Pre-signing of these forms is not allowed, and forms must contain original signatures.

Detail testing of purchasing card transactions indicated three of three (100%) Pcard Requests did not reflect administrator approval, two of which also did not reflect the involvement of three individuals.

ACTION ITEMS:

- Obtain the signature of the principal or his/her designee on all Pcard Requests as evidence administrator approval of the disbursement.
- Ensure three individuals are involved in every disbursement.

THIS IS A RECURRING ISSUE NOTED IN THE PRIOR AUDIT PERFORMED FOR THE PERIOD ENDED NOVEMBER 30, 2016.

Legal Reference: SAFPM v2, Page 23 - IV. STUDENT ACTIVITY FUND PROCEDURES, Section 13.
DISBURSEMENTS, A - vi & viii

Legal Reference: Administrative Form 3516 - Pcard Request

RISK:

- Misappropriation of funds.

MANAGEMENT RESPONSE:

We will make sure that all pcard request forms have three signatures to include administrator approval.

EXPECTED COMPLETION DATE:

Immediately.

SECURITY - Access to the Safe

ISSUE:

The administrative secretary 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 March 15, 2023, indicated cash is kept secured in either a locked desk drawer or a drop box safe for larger deposits. Follow-up indicated the administrative secretary can access both the locked desk drawer and the safe alone. Notably, a Safe Access Log is utilized for access to the safe.

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 AUDIT PERFORMED FOR THE PERIOD ENDED NOVEMBER 30, 2016.

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

Legal Reference: Administrative Form 3522 - Safe/Vault Access Log

RISK:

- Misappropriation of funds.

MANAGEMENT RESPONSE:

We will make note to be sure to enter all deposits on the clipboard and have dual signatures every time money is taken out of the safe to be deposited.

EXPECTED COMPLETION DATE:

Immediately.

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

School Year 2021-2022					
Functions	Beginning Balance July 1, 2021	Income	Expenses	Transfers	Ending Balance June 30, 2022
Class Accounts	1,792.40	3,788.39	3,659.50	(57.73)	1,863.56
Administration	3,324.08	5,195.35	1,688.99	(4,113.52)	2,716.92
Fundraisers	5,705.19	10,150.85	5,594.40	(967.61)	9,294.03
Donations	1,595.78	2,100.00	6,309.75	5,138.86	2,524.89
Totals	12,417.45	21,234.59	17,252.64	-	16,399.40