

April 2017

Highlights

Internal Audit Report to the Board of Supervisors/School Board

Why We Did This Project

On November 30, 2016, a Risk Management employee made Internal Audit aware of MHS loss of cash claim filed for a November 14, 2016 SAF bank deposit that was short \$500 compared to receipts.

Our objectives were to:

- Test compliance for loss of cash procedure with School Activity Fund Manual.
- Evaluate cash receipts of period near deposit shortage.
- Report results and recommendations to the School Superintendent and other management as required.

What We Recommend

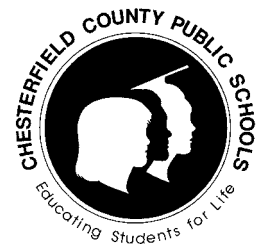
We recommend:

- School Finance require training and communication of SAF Procedure Manual Section 3 procedures to employees responsible for admission ticket sales, including the need to retain unsold tickets.
- MHS submit written report to Assistant Superintendent of Business and Finance to comply with Section 3 of SAF Procedure Manual.
- MHS document revised deposit procedures and evaluate control benefit with School Finance.



For more information, please contact
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Manchester High School Student Activity Fund Special Project



What We Found

Background

On November 30, 2016, a Risk Management employee made Internal Audit aware of Manchester High School (MHS) loss of cash claim filed for a November 14, 2016 SAF bank deposit that was short \$500 compared to receipts. Our audit focused on the school's receipt and bank deposit controls.

Each Chesterfield County school has activity funds that are collected on behalf of the students for miscellaneous items such as fees, field trips, sporting events, etc. The purpose of these funds is to promote the general welfare, education, and morale of the students, and to finance certain student activities. Funds are collected by the principals, teachers, other employees, or pupils for school sponsored or school related activities. Principals are responsible for the SAF for their school and the school's bookkeeper maintains SAF financial records. Manchester High School ended November 2016 with a cash balance of \$541,000 and FY17 cumulative receipts totaling \$671,000.

School Finance maintains a SAF Procedures Manual with requirements for individual schools covering: general procedures, financial reports, journals, and ledgers, cash, cash receipts, cash disbursements, and purchasing. School Finance also performs monthly bank reconciliation reviews, annual training for school bookkeepers, and year-end closing support.

Our evaluation identified opportunities to strengthen SAF policy compliance.

Summary of Findings

Internal audit matched master receipts and recomputed ticket sale reports supporting the SAF November 14, 2016 receipts. The bank deposit included cash ticket sales for three events (November 10 through November 12). Where tickets are used, unsold tickets must be available for audit per Section 3 of the SAF Procedure Manual. Internal Audit also attempted to reconcile used and unused event tickets listed on sales reports. However, the collection point teacher had disposed of all sold ticket stubs and used the unsold tickets for hall passes.

SAF Procedure Manual Section 3 requires a written report to Assistant Superintendent of Business and Finance within 48 hours of cash loss verification. The report must include the facts, responsibility for loss, and steps taken to prevent a recurrence. MHS notified the School Finance Office of the deposit shortage, but a written report with details was not submitted.

After the deposit shortage, MHS modified procedures for a second employee to recount deposits before taking them to the bank. The employee verifying the deposit then places the funds in the bag, locks it, and retains the key. The bookkeeper then gives the locked bag to an administrator to take to the bank. The procedure change was not documented by MHS or prescribed by School Finance, and introduces an additional individual to the process without increasing control.

Management concurred with 3 of 3 recommendations to be implemented by June 30, 2017.

We appreciate the cooperation received from management and staff while conducting this audit.