




## Chesterfield County, Virginia Internal Audit

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**GREG L. AKERS**  
Director

**DATE:** September 13, 2017

**TO:** Dr. James F. Lane  
School Superintendent

**FROM:** Greg L. Akers   
Director of Internal Audit

**SUBJECT:** Audit of Selected Chesterfield County Public Schools Activity Funds

The Office of Internal Audit completed an audit of selected Chesterfield County Public Schools Activity Funds, and the final report is attached.

We would like to thank the staff at each school for their cooperation and assistance during this audit.

Attachment

Copy: Donita Harper, Director of School Finance  
Paula Shuler, Business Process Manager  
Dr. John Gordon, Chief of Schools  
Dr. Thomas Taylor, Chief Academic Officer  
Donald Fairheart, Chief of Staff  
Dr. Joseph P. Casey, County Administrator  
Audit and Finance Committee



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Department

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Khara Lounsbury, Senior Auditor  
Christopher Meade, Senior Auditor  
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Steve Sanderson, Senior Auditor  
Richard Slate, Staff Auditor  
Annette Stinson, Administrative Assistant

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# FY17 School Activity Funds

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September 13, 2017

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September 2017

# Highlights

Internal Audit Report to the Board of Supervisors/School Board

## Why We Did This Review

Internal Audit conducted this review as part of our FY18 audit plan approved by the County Administrator, School Superintendent, and Audit and Finance Committee.

Each school within Chesterfield County has activity funds that are collected on behalf of the students for miscellaneous items such as fees, field trips, sporting events, etc. The focus of this audit was to ensure activity funds were maintained in accordance with regulations of the State Board of Education, SAF Guidelines issued by the Department of Education, and Accounting Procedures issued by the Chesterfield County Public Schools Finance Office (SAF Procedures Manual). Our objectives were to:

- Test supporting documentation for cash receipts, disbursements, transfers, and adjustments.
- Evaluate internal controls.
- Test June 30, 2017 cash balance and bank reconciliation.
- Test compliance with policies and procedures.
- Report results to the School Superintendent.

## What We Recommend

- Individual schools with findings take actions to address issues noted.



For more information, please contact Greg L. Akers, at 804-748-1240 or akersg@chesterfield.gov

# FY17 School Activity Funds



## What We Found

### Schools Tested

The Department of Education has requirements for school activity funds (SAFs), including that each school's fund be audited at least annually. Internal Audit conducted this review of 4 schools as part of our FY18 audit plan approved by the County Administrator, School Superintendent, and Audit and Finance Committee. The County's external auditors performs a review for the remaining 60 schools and our results by school are considered in the external auditor's report.

For the FY18 audit cycle, we visited 4 schools, covering 2 elementary, 1 high school, and 1 career and technical center (CTC). This report summarizes Internal Audit's testing results related to each school's general procedures, financial reports, cash, cash receipts, and cash disbursements and purchasing.

### Findings Summary

|                            |                | Evaluation Categories |  |      |               |                                   | Total |
|----------------------------|----------------|-----------------------|--|------|---------------|-----------------------------------|-------|
|                            |                | General Procedures    | Financial Reports, Journals, and Ledgers | Cash | Cash Receipts | Cash Disbursements and Purchasing |       |
| <b>High Schools:</b>       |                |                       |  |      |               |                                   |       |
| 1                          | Courthouse CTC | -                     | -  | -    | 4             | 5                                 | 9     |
| 2                          | Midlothian     | -                     | -  | -    | -             | -                                 | -     |
| <b>Elementary Schools:</b> |                |                       |  |      |               |                                   |       |
| 3                          | Bellwood       | -                     | 1  | -    | 1             | 1                                 | 3     |
| 4                          | Falling Creek  | -                     | 1  | -    | -             | -                                 | 1     |
| <b>Totals</b>              |                | -                     | 2  | -    | 5             | 6                                 | 13    |

### Commendations

We commend Midlothian High School for no noted exceptions and exercising internal controls over student activity funds in compliance with the School Activity Funds Policies and Procedures Manual.

Management concurred with 13 of 13 recommendations to be implemented by November 30, 2017.

We appreciate the cooperation and assistance received from the school's staff throughout this audit.

# INTRODUCTION

## BACKGROUND

The Department of Education has requirements for school activity funds, including that each school's fund be audited at least annually. Internal Audit conducted this review of 4 schools as part of our FY18 audit plan approved by the County Administrator, School Superintendent, and Audit and Finance Committee. The County's external auditors performs a review for the remaining 60 schools and our results by school are considered in the external auditor's report.

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 should be to promote the general welfare, education, and morale of the students, and to finance the normal, legitimate co-curricular activities of the student body organizations. These funds consist of money collected by the principals, teachers, other employees, or pupils for a school sponsored or school related activity.

The School Activities Fund Procedures Manual provides requirements for individual schools including: general procedures, financial reports, journals, and ledgers, cash, cash receipts, and cash disbursements and purchasing. School Finance provides monthly bank reconciliation reviews, annual training for school bookkeepers, and year-end closing support.

## OBJECTIVES

Objectives of the audit were to:

- Test supporting documentation for cash receipts, disbursements, transfers, and adjustments.
- Evaluate internal controls.
- Test June 30, 2017 cash balance and bank reconciliation.
- Test compliance with policies and procedures.
- Report results to the School Superintendent.

## SCOPE

Our audit scope covered the fiscal year 2017. We considered the following codes, policies, and procedures during our audit:

|   |   |
|---|---|
| State Board of Education regulations (Virginia Administrative Code 8VAC20-2140) | School Activity Fund Guidelines issued by the State Department of Education |
| School Activities Fund Procedures Manual  |   |

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. Steve Sanderson, Senior Auditor and Richard Slate, Staff Auditor performed the audit work. Chesterfield County Internal Audit is a department within the organization of Chesterfield County/Schools.

## METHODOLOGY

Our methodology included, but was not limited to:

- Analyzing and investigating significant variances in account balances and cash receipt and disbursement transactions as compared to the prior year.
- Reviewing inter-fund transfers/journal entries for proper authorization and legitimate reason.
- Reviewing for and inquiring of any missing or duplicate cash receipts and disbursement transactions.
- Testing receipts for agreement with supporting documentation, collections are turned into the school office timely and subsequently processed/deposited timely by the school bookkeeper, proper control procedures are in place for admission events, and fundraisers are pre-approved.
- Testing disbursements for agreement with supporting documentation, dual signatures on checks, pre-approval of purchase requests and final approval for payment by the school principal, supporting documentation consists of original invoices or other equivalent document that is properly canceled/stamped paid upon payment, procurement policies were followed, sales tax was not paid for school-invoiced purchases, proper control procedures are in place for voided or skipped checks, and field trips are pre-authorized.
- Scanning financial reports and ledgers for unusual accounts or transactions such as gift cards that are not allowed per policy.
- Obtaining and reviewing internal control questionnaires completed by school principals and bookkeepers.
- Conducting cash testing procedures that included proper cash cut-off and verifying the monthly bank and petty cash account reconciliations.

## INTERNAL CONTROL CONCLUSION

According to Government Auditing Standards, internal controls, in the broadest sense, encompass the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal controls include the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Based on the results and findings of the audit test work, auditors concluded that internal controls were in place, but not consistently followed which could impact their ability to assist management in meeting its missions, goals, and objectives. Recommendations specific to improving these controls can be found in detail further in the audit report.

## CLOSING

Most findings were minor and serve to remind bookkeepers of procedural responsibilities. We appreciate the cooperation and assistance received from each school audited.

## FINDINGS, RECOMMENDATIONS, RESPONSES

### School Activity Fund Testing Summary

(Point Sheet C-1.1)

#### FINDINGS

Exceptions are listed below by evaluation category.

##### **Financial Reports, Journals, and Ledgers**

- One school did not have supporting documentation for a tested interfund transfer (Falling Creek Elementary).
- One school used “fund transfer” journal entry type to correct posting mistakes (Bellwood Elementary). Fund transfers should not be used to correct posting mistakes. Per Section 5 of the School Funds Online Manual, “check to wrong account” or “check to wrong amount” journal entry types should be used for correcting posting mistakes.

##### **Cash Receipts**

- Deposit support should include a bank deposit receipt, school financial system receipt summary (deposit analysis report), and master receipt support from collection point. One school did not have a bank deposit receipt for a receipt tested. Auditor had to manually verify on bank statement (Courthouse CTC).
- Two schools (Bellwood Elementary and Courthouse CTC) did not perform bank deposits timely and held more than \$50 cash in the School Office overnight prior to deposit. Cash greater than \$50 should not be left in the school building overnight.
- One school voided a receipt without principal’s authorization (Courthouse CTC).
- One school voided a receipt and did not maintain supporting documentation (Courthouse CTC).

##### **Cash Disbursements and Purchasing**

- One school used an incorrect account for a disbursement (Bellwood Elementary).
- One school did not include sales tax for a teacher’s reimbursement (Courthouse CTC).
- One school did not always use a purchase requisition or purchase order for disbursements (Courthouse CTC).
- One school marked a physical check “void,” but did not void in the school financial system (Courthouse CTC).
- One school voided a check and did not maintain supporting documentation (Courthouse CTC).
- One school voided a check without principal’s authorization (Courthouse CTC).

## FINDINGS, RECOMMENDATIONS, RESPONSES

### School Activity Fund Testing Summary

(Point Sheet C-1.1, Continued)

#### COMMENDATION(S):

We commend Midlothian High School for no noted exceptions and exercising internal controls over student activity funds in compliance with the School Activity Funds Policies and Procedures Manual.

#### RECOMMENDATION(S):

1 - 13. We recommend individual schools with findings take actions to address issues noted above.

#### MANAGEMENT'S RESPONSE(S):

*1 – 13. Concur. Donita Harper, Director of Finance is responsible for implementing by November 30, 2017. In final stages of hiring new Financial Analyst with an emphasis on training and technical assistance provided to school support staff. In May 2017, Finance implemented central support in response to observations and Principal concerns for the activity funds at Courthouse CTC. Immediate steps were taken to mitigate the risk by removing the bookkeeper on June 3rd. The bookkeeper is no longer employed by the division and replacement has been hired and received training as of July 31, 2017. Finance department staff will work to ensure that the findings do not reoccur and support will be ongoing as necessary.*