



## Chesterfield County, Virginia Internal Audit

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**GREG L. AKERS**  
Director

**DATE:** April 3, 2017

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

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

**SUBJECT: Manchester High School Student Activity Fund Special Project**

### CONCLUSION

Internal Audit conducted this project based on notification from County Risk Management of a \$500 cash shortage from a Manchester High School (MHS) bank deposit. Our evaluation identified opportunities to strengthen School Activity Fund (SAF) policy compliance.

### BACKGROUND

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 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.

## **OBJECTIVES, SCOPE & METHODOLOGY**

### **Objectives:**

Objectives of the audit were to:

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

### **Scope:**

Our audit scope primarily covered November 2016 and the current operating environment.

### **Methodology:**

Our methodology included:

- Review SAF Procedure Manual for cash receipts and loss of cash procedure.
- Test supporting documentation for cash receipts.
- Test November 2016 bank reconciliation.
- Interview with selected employees.

We conducted this special project as a performance audit in accordance with generally accepted government auditing standards, except the risk and internal control assessment was more targeted to the cash shortage versus a comprehensive evaluation of the program. 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, performed the audit work. Chesterfield County Internal Audit is a department within the organization of Chesterfield County/Schools.

## **FINDINGS**

The bookkeeper receives various school staff remittances supported by master receipts, records receipts in the SAF financial system after verifying funds, prepares deposit, and places funds in a locked bag. Locked bags are taken to the bank by a separate employee, with bank validated deposit slips returned to bookkeeper for reconciliation.

MHS November 14, 2016 SAF receipts were \$6,011 with \$3,866 in cash. Bank adjusted corresponding deposit to \$5,511 for a \$500 cash shortage. Internal audit matched master receipts and recomputed ticket sale reports supporting the \$6,011 SAF receipts.

This deposit included \$3,098 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 and asked for guidance. The Finance Office advised the bookkeeper to file a report with Risk Management and request Police investigate. The required written report to notify the Assistant Superintendent with details was not submitted.

Police confirmed to Internal Audit that financial institution staff processed the deposit under dual control when identifying shortage. At the time of this report, Police investigation has not resulted in any charges related to missing funds.

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.

### **RECOMMENDATION(S):**

We recommend:

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

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

1. *Concur. Jonathan Miller, Business Analyst, and Judith Dailey, Lead Accountant School Building Principals are responsible for implementing by June 30, 2017. School Finance will produce a self-paced training specific to event sales which will also include a short assessment to ensure that SAF Procedure Manual Section 3 procedures have been communicated successfully and are understood. Production of the training will be the responsibility of the Finance Department. Enforcement of this training will remain the responsibility of the Principal of the Schools.*
2. *Concur. Judith Dailey, Lead Accountant and Heidi Martin, Bookkeeper Manchester High School (MHS) are responsible for implementing by March 31, 2017. MHS will submit a written report to Assistant Superintendent of Business and Finance to comply with Section 3 of the SAF Procedure Manual.*
3. *Concur. Judith Daily, Lead Accountant and Heidi Martin, Bookkeeper Manchester High School are responsible for implementing by March 31, 2017. MHS will document revised deposit procedures and evaluate control benefit with School Finance.*

### **CLOSING**

We appreciate the cooperation and assistance received from the superintendent and his staff throughout this audit.

cc: Christin Ellis, Manchester High School Principal  
Chris Sorensen, Assistant Superintendent for Business and Finance  
Paula Schuler, Interim Director of Finance  
Jonathan Miller, Business Analyst  
Cynthia Smith, Risk Management Director

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.

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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.