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FY19 School Activity Funds

August 23, 2019

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FY19 School Activity Funds

Highlights

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 FY20 audit plan approved by the County Administrator, School Superintendent, and Audit and Finance Committees. The County’s external auditor performs a review for the remaining 61 schools and our results by school are considered in the external auditor’s report.

Testing Summary

For the FY20 audit cycle, we visited 4 schools, covering 2 elementary schools, 1 middle school, and 1 high school. Exceptions by school are summarized below by evaluation category. Most findings were minor and serve to remind bookkeepers of procedural responsibilities.

	Evaluation Categories					Totals
	General Procedures	Financial Reports, Journal, and Ledger	Cash	Cash Receipts	Cash Disbursements and Purchasing	
Monacan High	-	-	-	-	3	3
Salem Church Middle	-	1	-	1	1	3
Grange Hall Elementary	-	-	-	2	2	4
Alberta Smith Elementary ¹	-	-	-	-	2	2
Totals	-	1	-	3	8	12

¹ – Action has already been taken for one finding.

Recommendation: Individual schools with findings take actions to address the remaining 11 issues noted.

Management concurred with 11 of 11 recommendations detailed in the report to be implemented by October 31, 2019. Internal Audit performs annual follow-up with management to confirm implementation status.

INTRODUCTION

BACKGROUND

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 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, 2019 cash balance and bank reconciliation.
- Test compliance with policies and procedures.
- Report the results to management.

SCOPE

Our audit scope covered the fiscal year 2019. We considered the following codes, policies, and procedures during our audit:

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

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. Christian Wingfield and Jim Boudreau, Staff Auditors, 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 and there were minimal findings to question their ability to assist management in meeting its mission, 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 Test Results

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 (Salem Church Middle). SAF Procedures Manual Section 11 requires supporting documentation for interfund transfers. Funds were transferred from the initial fee receipt account to a specific activity account.

Cash Receipts:

- One school did not promptly report a loss of cash to School Finance (Salem Church Middle). SAF Procedures Manual Section 12 requires any loss of cash, including checks, must be promptly reported. Once the loss is verified, it should be reported by telephone to the Finance Office. One of three deposit bags with \$97.80 was misplaced for a November 26, 2018 deposit. Notice to School Finance was made January 18, 2019 after the missing funds were located.
- One school did not perform a bank deposit timely (Grange Hall Elementary). SAF Procedures Manual Section 3 requires bank deposits to be made as promptly as possible. Deposit was made three business days after receipt.
- One school did not receipt funds timely (Grange Hall Elementary). SAF Procedures Manual Section 3 requires all collections be recorded on an approved Master Receipt, written promptly upon receipt of funds. A commission check (\$1,705.10) dated June 17, 2019, received after the school year-end, was still held in vault as of July 23, 2019.

Cash Disbursements and Purchasing:

- One school used an incorrect account for a disbursement (Alberta Smith Elementary). SAF Procedures Manual Section 4 requires disbursements be charged to the appropriate fund (faculty, yearbook, etc.).
- One school did not void an outstanding check timely (Alberta Smith Elementary). SAF Procedures Manual Section 20 requires outstanding checks be voided at the end of 180 days.
- Three schools did not properly deface voided (Grange Hall Elementary, Salem Church Middle, and Monacan High) or skipped (Monacan High) checks per policy. SAF Procedures Manual Section 4 requires in the event a check is voided, or skipped, the check must be defaced with the word VOID or SKIPPED on all parts of the check and the signature block and account number must be cut off.
- One school did not detect an invoice math error (\$42.90) and overpaid a vendor (Grange Hall Elementary). SAF Procedures Manual Section 4 requires disbursements to vendors shall be supported by original invoice, bills, sales tickets, delivery ticket, and/or any other information related to the transaction.
- One school's bookkeeper did not verify system assigned check numbers agreed with pre-numbered check stock (Monacan High) during printing. SAF Procedures Manual Section 1 requires the Financial Secretary to maintain all records on a current and accurate basis.

FINDINGS, RECOMMENDATIONS, RESPONSES
School Activity Fund Test Results

ACTION(S) TAKEN:

On July 16, 2019, Alberta Smith Elementary submitted a chart of accounts addition request to Chesterfield County Public Schools Finance Office to ensure correct accounts are used for disbursements.

RECOMMENDATION(S):

1 – 11. We recommend individual schools with remaining findings take actions to address issues noted above.

MANAGEMENT'S RESPONSE(S):

1 – 11. Concur. Director of Finance and Student Activity Funds Financial Analyst are responsible for implementing by October 31, 2019. All schools that had findings will receive follow up consultation with the Financial Analyst. In addition all activities that resulted in findings will be emphasized during the Bookkeeper Trainings that take place in October 2019.