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# FY21 School Activity Funds

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August 11, 2021

HIGHLIGHTS	1
INTRODUCTION	2
FINDINGS/RECOMMENDATIONS	
<a href="#">School Activity Fund Test Results</a>	4



# FY21 School Activity Funds

## Highlights

The Department of Education has requirements for school activity funds, including that each school’s fund be audited annually. Internal Audit conducted this review of four schools as part of our FY22 audit plan approved by the Audit and Finance Committees. The County’s external auditor performs a review for the remaining schools and our results are considered in the external auditor’s report.

### Testing Summary

For FY21 testing, we visited four schools: two elementary schools, one middle school, and one high school. Exceptions by school are summarized below by evaluation category. Findings were minor and serve to remind bookkeepers of procedural responsibilities.

	Evaluation Categories				Totals
	General Procedures	Cash	Cash Receipts	Cash Disbursements and Purchasing	
Clover Hill High	-	-	-	4	4
Midlothian Middle	-	-	-	-	-
Bon Air Elementary	-	-	-	-	-
Spring Run Elementary	-	-	-	-	-
<b>Totals</b>	-	-	-	<b>4</b>	<b>4</b>

**Commendations:** We commend Midlothian Middle, Bon Air Elementary, and Spring Run Elementary Schools for no noted exceptions and exercising internal controls over school activity funds in compliance with the School Activity Funds Procedures Manual.

**Recommendation:** Individual schools with findings take actions to address the four issues noted.

*Management concurred with 4 of 4 recommendations detailed in the report to be implemented on 11/15/2021. 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 use of these funds should promote the general welfare, education, and morale of the students, and finance the normal, legitimate co-curricular activities of student body organizations. Funds consist of money collected by principals, teachers, other employees, or pupils for a school sponsored or school related activity.

The School Activity Funds 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, and adjustments.
- Evaluate internal controls.
- Test June 30, 2021 cash balance and bank reconciliation.
- Test compliance with policies and procedures.
- Report the results to management.

## SCOPE

Our audit work covered the fiscal year 2021. We considered the following code, policies, and procedures during our audit:

*State Board of Education regulations Virginia  
Administrative Code 8VAC20-240*

*School Activity Funds Procedures Manual*

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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. Audrey Weatherholtz and Christian Wingfield, 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 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, auditor 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

Findings were minor and serve to remind bookkeepers of procedural responsibilities. We appreciate the cooperation and assistance received from schools.

**FINDINGS, RECOMMENDATIONS, RESPONSES**  
**School Activity Fund Test Results**

**FINDINGS**

Exceptions are listed below by evaluation category:

**Cash Disbursements and Purchasing:**

- Clover Hill High did not properly deface voided and skipped checks per policy. When a check is skipped or voided, SAF Procedures Manual Section 4 states 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.
- Clover Hill High did not properly document purchase/requisition orders for purchase policy exceptions. SAF Procedures Manual Section 5 lists activities that are exempt from purchasing requirements:
  - Services related to yearbooks, photography, class rings, and senior accessories must be purchased from one of the vendors that have been awarded a contract by the school system through County purchasing.
  - If a purchase of \$15,000 or more is covered by an approved County contract, the school may issue the purchase requisition/order directly.

Both instances require the contract number to be written on the purchase/requisition order.

**COMMENDATION(S):**

We commend Midlothian Middle, Bon Air Elementary and Spring Run Elementary Schools for no noted exceptions and exercising internal controls over student activity funds in compliance with the School Activity Funds Procedures Manual.

**RECOMMENDATION(S):**

1 – 4. We recommend Clover Hill High take actions to address issues noted above.

**MANAGEMENT RESPONSE(S):**

*1-4. Concur. Director of Finance and Accounting, Susan Bargar, is responsible for implementing 11/15/2021. Will work with the bookkeeper and principal at Clover Hill HS to review SAF procedures. In addition, we will address the findings in our annual Fall bookkeepers meeting.*