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FY18 School Activity Funds

August 17, 2018

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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 FY19 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, 2018 cash balance and bank reconciliation.
- Test compliance with policies and procedures.
- Report results to management.

What We Recommend

- Individual schools with findings take actions to address issues noted.
- School Finance develop a standard fundraiser request form to document the principal's prior approval.



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

FY18 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 FY19 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 61 schools and our results by school are considered in the external auditor's report.

For the FY19 audit cycle, we visited 4 schools, covering 2 elementary, 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					
	General Procedures	Financial Reports, Journal, and Ledger	Cash	Cash Receipts	Cash Disbursements and Purchasing	Totals
L.C. Bird High	-	1	-	1	2	4
Bailey Bridge Middle	-	-	-	-	-	0
Chalkley Elementary	-	-	-	-	1	1
Winterpock Elementary	1	-	-	-	-	1
School Finance	-	-	-	1	-	1
Totals	1	1	0	2	3	7

Commendations

We commend Bailey Bridge Middle 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 7 of 7 recommendations to be implemented by October 23, 2018.

We appreciate the cooperation and assistance received from the schools' 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 FY19 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 61 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, 2018 cash balance and bank reconciliation.
- Test compliance with policies and procedures.
- Report results to management.

SCOPE

Our audit scope covered the fiscal year 2018. 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. Chris Meade, Senior Auditor, Sandra Fuentes, Staff Auditor, and Christian Wingfield, 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 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 Testing Summary

FINDINGS

Exceptions are listed below by evaluation category:

General Procedures

- One school did not obtain annual audited financial reports from a school support group, Parent-Teacher Association (PTA), (Winterpock Elementary). SAF Procedures Manual Section 16 requires support groups such as bank or chorus organizations, booster clubs, and PTA provide the school with an annual audited financial report.

Financial Reports, Journals, and Ledgers

- One school used “fund transfer” journal entry type to correct posting mistakes (L.C. Bird High). Fund transfers should not be used to correct posting mistakes. School Funds Online Manual Section 5 requires “check to wrong account” or “check to wrong amount” journal entry types be used for correcting posting mistakes.

Cash Receipts

- Copies of voided receipts were not maintained by the bookkeeper for one school. (L.C. Bird High).
- SAF Procedures Manual Section 16 requires the principal’s prior approval of fundraising activities. School Finance has not provided guidance to schools on required approval documentation. Two schools did not have documentation of the principal’s prior approval for a fundraiser.

Cash Disbursements and Purchasing

- Two schools (Chalkley Elementary and L.C. Bird High) did not void an outstanding check in a timely manner (180 days). SAF Procedures Manual Section 20 requires outstanding checks be voided at the end of 180 days.
- One school had no supporting documentation to support a purchase. (L.C. Bird High). SAF Procedure Manual Section 4 requires disbursements to vendors be supported by original invoices, bills, sales tickets, delivery ticket, and/or any other information related to the transaction.

FINDINGS, RECOMMENDATIONS, RESPONSES

School Activity Fund Testing Summary

COMMENDATION(S):

We commend Bailey Bridge Middle 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 – 6. We recommend individual schools with findings take actions to address issues noted above.
7. We recommend school finance develop a standard fundraiser request form to document the principal's prior approval of fundraising activities according to school policy.

MANAGEMENT'S RESPONSE(S):

- 1 – 6. *Concur. Director of Finance, Rene Ewing and Financial Analyst-SAF Liaison are responsible for implementing 10/23/18. Processes and procedures will be reviewed at the Fall bookkeeper meeting with emphasis on the noted findings. Noted schools will receive individualized training from the Financial Analyst-SAF Liaison.*
7. *Concur. Director of Finance, Rene Ewing and Financial Analyst-SAF Liaison are responsible for implementing 10/23/18. The Finance Department will develop a form to be used for fundraiser approvals. The form and updated process will be reviewed at the Fall bookkeeper meeting.*