



Chesterfield County, Virginia Internal Audit

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GREG L. AKERS
Director

DATE: September 28, 2016

TO: Dr. James Lane
School Superintendent

FROM: Greg L. Akers
Director of Internal Audit

SUBJECT: Chesterfield County Public Schools' Activity Funds Audit

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: Chris Sorensen, Assistant Superintendent for Business and Finance
Bob Aylor, Director of School Finance
Donna Dalton, Chief Academic Officer for Instruction
Dr. Thomas Taylor, Executive Director for School Administration
Donald Fairheart, Chief of Staff to the Superintendent



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School Activity Funds

September 28, 2016

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September 2016

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 FY17 audit plan approved by the County Administrator and School Board Superintendent.

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, School Activity Fund Guidelines issued by the Department of Education, and Accounting Procedures for School Activity Funds issued by the Finance Office of Chesterfield County Public Schools (SAF Procedures Manual). Our objectives were to:

- Test supporting documentation for cash receipts, disbursements, transfers, and adjustments.
- Evaluate internal controls.
- Test June 30, 2016 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.
- School Finance consider the overall results by school and category when developing future training and procedural guidance.



For more information, please contact
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School Activity Funds

What We Found

Schools Tested

For the FY17 audit cycle, we visited 16 schools, covering 8 elementary, 3 middle, 2 high schools, 2 career and technical centers (CTC), and 1 career and college academy (CCA). 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 | |
| High Schools: | | | | | | | |
| 1 | Carver CCA | - | - | - | 1 | - | 1 |
| 2 | Courthouse CTC | - | 1 | - | - | - | 1 |
| 3 | Matoaca | 1 | 1 | - | 2 | - | 4 |
| 4 | Thomas Dale | 1 | 1 | - | - | 1 | 3 |
| 5 | Hull CTC | - | - | - | 1 | - | 1 |
| Middle Schools: | | | | | | | |
| 6 | Carver | - | - | 1 | 5 | 3 | 9 |
| 7 | Manchester | - | - | - | 1 | - | 1 |
| 8 | Providence | - | 1 | 1 | 3 | - | 5 |
| Elementary Schools: | | | | | | | |
| 9 | O.B. Gates | - | - | - | 1 | - | 1 |
| 10 | Harrowgate | - | 1 | - | 1 | - | 2 |
| 11 | Hopkins Road | - | - | - | - | - | - |
| 12 | Marguerite Christian | - | - | - | 2 | - | 2 |
| 13 | Matoaca | - | 1 | - | 2 | - | 3 |
| 14 | Reams Road | - | - | - | - | 1 | 1 |
| 15 | Salem Church | 1 | 1 | - | 1 | - | 3 |
| 16 | Swift Creek | - | 1 | - | - | 1 | 2 |
| Totals | | 3 | 8 | 2 | 20 | 6 | 39 |

Commendations

We commend Hopkins Road Elementary School for exercising internal controls over student activity funds in compliance with the School Activity Funds Policies and Procedures Manual.

Management concurred with 40 of 40 recommendations to be implemented by May 31, 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 16 schools as part of our FY17 audit plan approved by the County Administrator and School Board Superintendent. The County's external auditor performs a review for the remaining 48 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, 2016 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 2016. 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, Nikiesha Roney and Richard Slate, 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, 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, three schools as noted had four repeated prior year findings.

General Procedures

- Three schools did not obtain annual audited financial reports from school support groups (Salem Elementary, Matoaca High, and Thomas Dale High).

Financial Reports, Journals, and Ledgers

- Four schools did not document approval for all tested interfund transfers (Harrowgate Elementary, Matoaca Elementary, Courthouse CTC, and Matoaca High).
- Fund transfers should not be used to correct posting mistakes. Four schools used fund transfers to correct posting mistakes (Harrowgate Elementary, Salem Church Elementary, Swift Creek Elementary, Providence Middle, and Thomas Dale High).

Cash

- Two schools with a petty cash account did not perform required monthly reconciliation for June 2016 (Carver Middle and Providence Middle).

Cash Receipts

- One school did not identify ticket sellers or have a separate person perform required review of ticket sales and unsold tickets. (Providence Middle, **Repeat Finding FY15 audit**).
- One school did not have master receipt forms to support a system receipt. Amount on supporting master receipts was less than the system receipt and related deposit (Carver Middle).
- One school made bank deposits for certain individual system receipts instead of having a single intact deposit for total daily receipts (Carver Middle).
- Six schools did not fully complete all master receipt forms to identify collection type as cash, check (including check number) or online school payment (OSP) and/or collection date (Marguerite Christian Elementary, Matoaca Elementary, Salem Church Elementary, Carver Middle, Providence Middle, and Matoaca High).
- Collection points at four schools did not remit funds to the school office timely (Matoaca Elementary, Carver Middle [**Repeat Finding FY15 audit**], Carver CCA, and Matoaca High). Remittances were made more than one business day after collection date without documented explanation.

FINDINGS, RECOMMENDATIONS, RESPONSES

School Activity Fund Testing Summary

(Point Sheet C-1.1 Continued)

Cash Receipts (continued)

- Seven schools did not perform bank deposits timely:
 - Five schools' (O.B. Gates Elementary, Harrowgate Elementary, Carver Middle, Manchester Middle, and Providence Middle [**Repeat Finding FY15 audit**]), 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.
 - Two schools' (Marguerite Christian Elementary [**Repeat Finding FY15 audit**] and Hull CTC) bank deposits were more than one business day after School Office received remittance without a documented explanation. Cash portion of deposit was less than \$50.

Cash Disbursements and Purchasing

- One school's bookkeeper did not remove the signature block and account number from voided checks (Carver Middle).
- Two schools' bookkeepers did not verify system assigned check numbers when printing checks agreed with pre-numbered check stock (Swift Creek Elementary and Thomas Dale High).
- One school did not have supporting documentation for a disbursement (Carver Middle).
- One school did not complete the required expenditure voucher form section for a disbursement (Carver Middle).
- One school paid sales taxes for school invoiced purchases (Reams Road Elementary).

COMMENDATION(S):

We commend Hopkins Road Elementary School for exercising internal controls over student activity funds in compliance with the School Activity Funds Policies and Procedures Manual.

RECOMMENDATION(S):

- 1 - 39. We recommend individual schools with findings take actions to address issues noted above.
40. We recommend School Finance consider the overall results by school and category when developing future training and procedural guidance.

MANAGEMENT RESPONSE(S):

- 1 – 39. *Concur. Executive Director for School Administration, Director of Finance, Directors of Elementary, Middle and High Principals are responsible for implementing by 10/31/2016. A principals meeting is scheduled for September 29, 2016 to address areas of concern regarding the audit findings and address a top 10 list of financial reminders. In addition, Director of Elementary, Middle and High will be sending letters to each principal regarding the findings in their school.*
40. *Concur. Director of Finance and Staff are responsible for implementing by 5/31/2017. We have two trainings for bookkeepers, one in the fall and one in the spring, we will incorporate the findings as part of the trainings.*