

Fairfax
County
Public
Schools

Office of
Internal Audit

A Report to the
Audit
Committee

School Activity Funds Audit

October 2012

This report was revised at the request of the School Board Audit Committee on November 20, 2012. Additional information regarding the sample tested was added on page 3. The requested edit did not change the results of the audit or impact the findings stated; therefore, this was not an impairment to the independence of the Office of Internal Audit.

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Executive Summary

The school activity funds of the Fairfax County Public Schools (FCPS) were audited for the period from July 1, 2011 to June 30, 2012, in accordance with the requirements of the Virginia Board of Education. The Board of Education regulations require that the school activity funds be audited at least once a year by a duly qualified accountant or accounting firm approved by the local school board [8VAC20-240-40]. The purpose of the audit was to determine if cash balances were properly stated as of June 30, 2012, and to determine the level of compliance with provisions of laws, regulations, contracts, policies, and procedures. The school activity accounts were examined as of year-end at the 199 sites in the division.

Audit results are based on School Board policies, regulations, accounting procedures, and proper internal controls. The results were provided to each individual school/office detailing the findings noted during the audit and any suggestions for improvement. Schools receiving a significant number of negative audit comments were referred to their financial support team contact for additional training and guidance. The audit results of three high schools, four middle schools, forty elementary schools, and four other schools/centers were positive with no reportable findings.

Background

During the 2012 school year, FCPS had 138 elementary schools, 22 middle schools, 25 secondary/high schools, two alternative high schools, seven special education centers, two academies, an adult high school, Adult and Community Education, and the Department of Special Services managing activity funds. Each of these sites had its own school activity funds which provided clear and concise accountability of all funds collected from students and subsequently expended on their behalf. The Board of Education defines school activity funds as "...all funds derived from extracurricular school activities, including entertainments, athletic contests, cafeterias, club dues, and all other activities of the school involving school personnel, students, or property."

FCPS prepares the school activity funds financial statement on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. This accounting method is where revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred. As a result, schools do not report student obligations [accounts receivable] or amounts owed to vendors [accounts payable]. Fixed assets and inventories are not recorded as assets and are not depreciated. The activity and club funds are comprised of numerous extracurricular school activities, groups, and clubs existing in the schools for the benefit of the students. School activity funds essentially belong to the student organizations at each individual school and are reported as fiduciary funds in the division's published financial report.

The FCPS School Board and administration are responsible for developing and administering rules, regulations, and procedures to ensure school activity funds are properly administered. However, the responsibility for administering activity funds in accordance with the regulations and procedures has been assigned to the principals at the individual schools.

Scope and Methodology

We have audited the accompanying statement of cash receipts and disbursements of the FCPS school activity funds for the year ended June 30, 2012. This financial statement is the

responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Government Auditing Standards also require that we consider internal controls over financial reporting and compliance with requirements of laws and regulations. The management of FCPS is responsible for establishing and maintaining effective internal controls. In planning and performing our audit, we considered FCPS' internal controls over compliance with requirements for financial reporting as a basis to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of management's compliance with certain provisions of laws and regulations. Our objective was not to provide an opinion on overall compliance with applicable laws and regulations. Accordingly, we do not express such an opinion.

The results of our tests indicate that FCPS' management was in substantial compliance with provisions of laws, regulations, contracts, policies, and procedures. With respect to items not tested, nothing came to our attention that caused us to believe that FCPS' management had not complied, in all material respects, with other provisions of laws or regulations.

The principal of each school is responsible for the financial records, which reflect the receipt and disbursement transactions of the student funds.

The following items were examined during the audit:

Cash Receipts

- Controls and safeguards over cash receipts
- Timeliness of deposits
- Verification that receipts were deposited in the same form collected and into the appropriate account
- Collections by staff and the timely transmittal of these receipts to the finance technician/administrative assistant
- Bank reconciliations were examined for completeness, accuracy, and timeliness
- A sample of receipts were examined for accuracy and compliance with policies, regulations, and procedures

Cash Disbursements

- Canceled checks were examined for proper signatures
- Verification that purchases made for goods and services were allowable for the source of funds used
- Purchases were made in accordance with policies, regulations, and procedures

- A sample of expenditures was examined for proper supporting documentation and compliance with policies, regulations, and procedures

Other Areas

- Fund transfers were examined for proper approval and use
- Deficit accounts were examined for reasonableness
- Other accounts were examined as to the purpose, source, and use of funds

Testing sample sizes were based on our knowledge of the Great Plains accounting system, past audit issues, and the requirements outlined in guidelines/regulations provided to schools. The auditor reviewed all transactions for reasonableness and for unusual items. Additional testing was completed where warranted. Our sampling methodology for receipts, disbursements, and procurement cards was established as follows:

	High & Secondary Schools	Middle Schools	Elementary & Alternate High Schools	Centers & Departments
Total Receipts Tested	15	15	15	15
Randomly Selected	15	15	15	15
Total Disbursements Tested	40	30	20	20
Randomly Selected	30	20	10	10
Judgmentally Selected	10	10	10	10
Total Procurement Cards Tested	15	10	5	5
Judgmentally Selected	15	10	5	5

JP Morgan Chase procurement card payments and checks exceeding \$50 payable to the principal, assistant principal, and finance technician were not selected as part of the above samples, since they were independently tested in a separate section of the audit.

The following sample information was added on November 20, 2012, at the request of the School Board Audit Committee:

The base sample, as shown in the sampling methodology chart above, had a total value of \$8,623,498. In addition, a review of transfer vouchers, educational contingency account transactions, administrative account transactions, checks made payable to individuals with check signing authority, voided checks, voided receipts, and transactions, which appeared unusual in nature, were added to the base sample for testing. The total dollar value of these additional transactions was not captured during the audit. Therefore, the minimum dollar value of all transactions tested was \$8,623,498.

The requested edit did not change the results of the audit or impact the findings stated; therefore, this was not an impairment to the independence of the Office of Internal Audit.

Conclusion

In our opinion, the financial statement included in this report presents fairly, in all material respects, the school activity funds cash balance as of June 30, 2012, and the recorded cash transactions for the year then ended using the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 2012

	Cash Balance July 1, 2011	Receipts	Disbursements	Transfers In (credit)	Transfers Out (debit)	Cash Balance June 30, 2012
High Schools:						
Annandale	\$ 334,928.10	\$ 1,811,172.04	\$ 1,874,292.93	\$ 228,913.05	\$ 228,913.05	\$ 271,807.21
Centreville	328,947.29	2,847,854.04	2,860,505.10	472,273.52	478,628.36	309,941.39
Chantilly	327,574.82	2,537,494.83	2,466,996.54	250,166.39	250,166.39	398,073.11
Edison	305,701.29	1,264,189.08	1,261,397.55	205,447.14	205,447.14	308,492.82
Fairfax	537,424.82	2,552,142.57	2,389,420.78	244,310.22	244,485.22	699,971.61
Falls Church	205,544.84	1,358,745.91	1,329,418.69	209,722.38	209,622.38	234,972.06
Hayfield	524,820.15	2,801,030.97	2,809,567.21	244,676.63	244,572.10	516,388.44
Herndon	511,508.81	2,412,608.45	2,429,192.04	337,582.43	337,288.43	495,219.22
Lake Braddock	685,428.57	3,223,695.96	3,317,622.75	426,582.46	426,582.46	591,501.78
Langley	607,699.56	3,516,407.11	3,557,108.34	500,890.85	500,890.85	566,998.33
Lee	296,273.29	1,606,617.07	1,646,299.55	446,592.87	446,592.87	256,590.81
Madison	539,881.67	2,902,270.08	2,856,368.58	350,084.47	350,084.47	585,783.17
Marshall	284,962.65	1,795,324.04	1,769,971.65	218,508.95	218,508.95	310,315.04
McLean	665,172.51	2,160,478.46	2,189,528.95	161,806.14	161,806.14	636,122.02
Mount Vernon	185,502.71	1,797,804.41	1,780,915.70	206,511.24	206,511.24	202,391.42
Oakton	384,549.42	3,850,959.13	3,805,472.43	510,514.89	510,664.89	429,886.12
Robinson	452,162.63	3,763,996.39	3,727,703.33	634,236.09	634,236.09	488,455.69
South County	513,674.07	3,165,961.16	3,082,355.70	550,255.75	550,255.75	597,279.53
South Lakes	322,544.16	2,652,133.34	2,677,714.84	411,348.07	411,348.07	296,962.66
Stuart	158,357.36	1,501,029.56	1,497,391.03	139,104.95	139,104.95	161,995.89
Thomas Jefferson	450,718.97	2,950,699.50	2,671,665.95	338,941.01	338,941.01	729,752.52
West Potomac	299,075.41	2,164,491.23	2,136,455.82	498,883.13	498,883.13	327,110.82
West Springfield	618,386.77	2,597,032.24	2,606,776.72	389,263.99	389,263.99	608,642.29
Westfield	468,919.14	3,603,402.33	3,607,349.69	336,186.11	336,186.11	464,971.78
Woodson	300,990.49	1,985,837.30	1,973,383.20	315,719.69	315,719.69	313,444.59
Subtotal	10,310,749.50	62,823,377.20	62,324,875.07	8,628,522.42	8,634,703.73	10,803,070.32
Middle Schools:						
Carson	138,750.31	713,237.82	710,258.16	64,727.95	64,727.95	141,729.97
Cooper	301,018.49	536,515.62	582,712.70	111,129.10	111,129.10	254,821.41
Franklin	238,390.85	691,899.17	710,933.75	104,507.64	104,507.64	219,356.27
Frost	156,225.44	573,259.71	586,643.27	86,637.07	86,637.07	142,841.88
Glasgow	87,274.77	298,749.83	298,680.36	38,998.68	38,998.68	87,344.24
Herndon	179,094.40	411,690.80	471,812.58	72,336.10	78,153.93	113,154.79
Holmes	59,176.33	260,180.02	264,808.65	65,175.88	65,175.88	54,547.70

STATEMENT OF CASH RECEIPTS AND DISBURSEMENT, continued
For the Year Ended June 30, 2012

	Cash Balance July 1, 2011	Receipts	Disbursements	Transfers In (credit)	Transfers Out (debit)	Cash Balance June 30, 2012
Middle Schools, continued:						
Irving	\$ 260,665.85	\$ 409,667.45	\$ 417,179.08	\$ 65,499.41	\$ 65,499.41	\$ 253,154.22
Key	49,213.16	305,889.74	316,271.77	52,067.67	52,067.67	38,831.13
Kilmer	184,517.11	794,522.26	903,360.83	147,020.47	147,020.47	75,678.54
Langston Hughes	25,501.91	373,959.62	368,320.50	22,616.53	22,616.53	31,141.03
Lanier	358,985.67	825,410.74	1,082,265.22	124,966.08	124,966.08	102,131.19
Liberty	222,299.38	403,459.53	404,808.65	62,260.01	62,260.01	220,950.26
Longfellow	113,460.09	1,273,949.18	1,323,716.23	135,667.58	135,667.58	63,693.04
Luther Jackson	145,785.63	555,971.53	544,519.89	47,977.82	47,977.82	157,237.27
Poe	46,917.09	341,491.49	326,416.23	44,781.17	44,781.17	61,992.35
Rocky Run	128,589.55	659,758.25	681,257.26	109,367.14	109,467.14	106,990.54
Sandburg	121,760.67	476,112.46	473,862.63	39,620.87	39,620.87	124,010.50
Stone	145,469.60	481,528.98	496,982.11	56,327.27	56,332.27	130,011.47
Thoreau	122,920.53	922,797.37	925,214.42	83,683.40	83,683.40	120,503.48
Twain	50,928.48	391,506.15	407,982.68	18,465.06	18,465.06	34,451.95
Whitman	22,192.32	443,859.72	452,275.38	48,820.82	48,820.82	13,776.66
Subtotal	3,159,137.63	12,145,417.44	12,750,282.35	1,602,653.72	1,608,576.55	2,548,349.89
Elementary Schools:						
Aldrin	67,669.18	334,843.80	364,613.74	33,235.56	33,235.56	37,899.24
Annandale Terrace	47,909.69	145,575.34	148,676.19	27,983.27	27,983.27	44,808.84
Armstrong	29,411.99	130,701.94	129,256.26	16,318.95	16,318.95	30,857.67
Bailey's	20,787.72	235,501.03	245,998.86	55,264.28	55,264.28	10,289.89
Beech Tree	6,022.25	82,055.25	81,180.02	180.28	180.28	6,897.48
Belle View	11,022.43	135,719.42	140,704.21	5,948.47	5,948.47	6,037.64
Belvedere	26,499.22	74,749.37	69,483.11	3,729.74	3,729.74	31,765.48
Bonnie Brae	124,452.59	152,877.95	154,935.24	11,008.97	11,008.97	122,395.30
Braddock	11,138.08	57,750.23	61,712.33	11,369.74	12,049.73	6,495.99
Bren Mar Park	42,538.89	73,218.55	73,000.46	1,183.32	1,183.32	42,756.98
Brookfield	21,889.55	125,232.02	109,136.88	2,364.20	2,364.20	37,984.69
Bucknell	6,564.24	26,755.85	26,531.50	977.98	977.98	6,788.59
Bull Run	55,411.93	335,852.15	342,388.11	28,967.47	28,967.47	48,875.97
Bush Hill	9,859.49	103,999.60	103,912.37	13,567.13	13,567.13	9,946.72
Camelot	48,640.41	127,755.10	119,070.05	5,817.34	5,817.34	57,325.46
Cameron	8,566.29	265,560.08	266,416.29	70,511.25	70,511.25	7,710.08

STATEMENT OF CASH RECEIPTS AND DISBURSEMENT, continued
For the Year Ended June 30, 2012

	Cash Balance July 1, 2011	Receipts	Disbursements	Transfers In (credit)	Transfers Out (debit)	Cash Balance June 30, 2012
Elementary Schools, continued:						
Canterbury Woods	\$ 40,058.83	\$ 248,644.74	\$ 273,632.82	\$ 36,205.65	\$ 36,205.65	\$ 15,070.75
Cardinal Forest	54,611.73	83,240.05	78,830.84	2,275.11	2,275.11	59,020.94
Centre Ridge	19,705.68	108,167.64	108,001.43	2,185.68	2,185.68	19,871.89
Centreville	14,287.29	172,047.58	173,607.88	14,115.67	14,115.67	12,726.99
Cherry Run	11,887.46	132,141.73	134,025.87	26,932.94	26,932.79	10,003.47
Chesterbrook	56,890.51	390,625.52	418,957.64	29,528.35	29,528.35	28,558.39
Churchill Road	71,282.13	468,153.25	501,421.31	39,723.34	39,723.34	38,014.07
Clearview	22,843.45	116,098.22	114,202.38	20,736.02	20,736.02	24,739.29
Clermont	14,921.16	213,256.46	210,527.95	32,915.76	32,915.76	17,649.67
Coates	14,835.38	153,373.82	149,182.21	20,624.55	20,624.55	19,026.99
Columbia	54,235.39	77,821.51	80,787.35	19,537.71	19,537.71	51,269.55
Colvin Road	20,033.74	192,282.50	200,147.96	38,397.23	38,397.23	12,168.28
Crestwood	13,949.42	111,542.21	115,054.86	8,465.37	8,465.37	10,436.77
Crossfield	38,375.86	89,297.62	94,805.62	29,373.97	29,462.97	32,778.86
Cub Run	60,147.83	132,667.58	143,362.20	14,343.10	14,343.10	49,453.21
Cunningham Park	20,320.84	54,962.20	56,972.48	3,388.00	3,388.00	18,310.56
Daniels Run	78,978.42	188,812.67	214,692.88	16,107.01	16,107.01	53,098.21
Deer Park	37,247.67	178,830.75	187,998.12	12,344.40	12,344.40	28,080.30
Dogwood	44,677.62	111,332.82	119,867.68	14,305.42	14,305.42	36,142.76
Dranesville	25,622.57	176,859.43	167,590.43	21,356.70	21,356.70	34,891.57
Eagle View	25,047.34	59,558.80	68,598.38	22,838.93	22,838.93	16,007.76
Fairfax Villa	55,411.41	152,391.04	143,771.18	26,187.77	26,187.77	64,031.27
Fairhill	26,111.92	200,088.86	221,291.44	3,640.99	3,640.99	4,909.34
Fairview	59,209.62	186,596.99	170,053.94	22,654.47	22,654.47	75,752.67
Flint Hill	30,320.16	118,946.53	111,317.56	4,947.39	5,263.40	37,633.12
Floris	66,256.10	153,369.81	151,994.19	33,250.64	33,250.64	67,631.72
Forest Edge	23,825.02	199,074.64	179,279.97	16,377.81	16,377.81	43,619.69
Forestdale	14,263.67	147,162.25	154,207.65	15,160.46	15,060.46	7,318.27
Forestville	58,959.87	217,725.52	252,696.44	5,538.58	5,538.58	23,988.95
Fort Belvoir	167,986.74	180,552.78	154,340.42	14,803.77	14,803.77	194,199.10
Fort Hunt	102,700.18	132,843.81	127,900.69	1,519.47	1,519.47	107,643.30
Fox Mill	67,986.46	181,354.20	185,272.22	38,291.47	38,291.47	64,068.44
Franconia	55,431.40	54,290.61	63,505.16	1,417.58	1,417.58	46,216.85

STATEMENT OF CASH RECEIPTS AND DISBURSEMENT, continued
For the Year Ended June 30, 2012

	Cash Balance July 1, 2011	Receipts	Disbursements	Transfers In (credit)	Transfers Out (debit)	Cash Balance June 30, 2012
Elementary Schools, continued:						
Franklin Sherman	\$ 25,244.60	\$ 154,930.43	\$ 140,721.50	\$ 34,845.13	\$ 34,845.13	\$ 39,453.53
Freedom Hill	58,775.94	260,240.40	279,845.86	2,452.54	2,452.54	39,170.48
Garfield	33,117.04	54,277.49	50,323.28	8,301.73	8,301.73	37,071.25
Glen Forest	49,950.01	131,300.61	129,890.25	18,869.74	18,869.74	51,360.37
Graham Road	17,687.59	34,326.24	33,030.23	13,966.99	13,966.99	18,983.60
Great Falls	33,470.81	65,474.85	57,693.52	3,470.35	3,470.35	41,252.14
Greenbriar East	20,183.21	82,968.55	83,411.82	17,574.43	17,574.43	19,739.94
Greenbriar West	67,608.59	228,087.25	238,462.95	11,609.33	11,609.33	57,232.89
Groveton	9,018.04	115,375.28	114,605.59	16,986.57	16,986.57	9,787.73
Gunston	29,702.02	123,427.74	127,616.08	17,062.82	17,262.82	25,313.68
Halley	44,280.74	130,335.58	130,378.08	7,673.06	7,673.06	44,238.24
Haycock	58,332.13	200,329.65	204,504.66	55,922.38	55,922.38	54,157.12
Hayfield	49,787.73	170,682.09	190,459.97	63,156.97	63,156.97	30,009.85
Herndon	26,198.95	145,759.79	147,143.63	19,019.43	19,019.43	24,815.11
Hollin Meadows	37,453.18	255,901.20	179,669.43	24,875.27	24,875.27	113,684.95
Hunt Valley	110,170.14	138,126.74	151,925.64	3,879.61	3,879.61	96,371.24
Hunters Woods	39,347.78	210,366.82	227,430.46	8,330.14	8,330.14	22,284.14
Hutchison	41,346.62	176,901.49	175,427.09	56,508.68	56,508.68	42,821.02
Hybla Valley	42,277.88	135,978.81	152,978.02	34,248.75	13,093.92	46,433.50
Island Creek	36,799.60	167,101.61	150,737.96	13,825.32	13,825.32	53,163.25
Keene Mill	37,855.47	175,916.35	176,400.02	28,686.72	28,686.72	37,371.80
Kent Gardens	25,129.80	259,324.17	269,797.83	4,049.07	4,049.07	14,656.14
Kings Glen	36,014.89	142,005.35	143,813.83	18,300.44	15,429.44	37,077.41
Kings Park	65,760.44	135,890.08	130,433.87	9,746.52	9,746.52	71,216.65
Lake Anne	33,833.74	127,098.55	129,186.87	16,056.32	16,056.32	31,745.42
Lane	37,392.64	98,589.85	96,066.61	3,021.60	3,021.60	39,915.88
Laurel Hill	30,151.18	127,677.82	129,661.34	28,979.32	28,979.32	28,167.66
Laurel Ridge	71,674.10	191,108.46	204,635.27	11,717.44	12,095.76	57,768.97
Lees Corner	115,295.62	144,442.65	141,449.38	11,755.06	11,755.06	118,288.89
Lemon Road	43,407.45	65,203.10	62,407.36	6,000.41	6,000.41	46,203.19
Little Run	20,003.73	63,554.23	62,872.89	8,308.65	8,308.65	20,685.07
London Towne	61,667.17	153,653.78	151,454.96	6,738.83	6,738.83	63,865.99
Lorton Station	46,221.78	135,631.26	126,284.89	14,228.51	14,228.51	55,568.15
Louise Archer	94,502.93	227,131.06	234,148.56	1,130.54	1,130.54	87,485.43

STATEMENT OF CASH RECEIPTS AND DISBURSEMENT, continued
For the Year Ended June 30, 2012

	Cash Balance July 1, 2011	Receipts	Disbursements	Transfers In (credit)	Transfers Out (debit)	Cash Balance June 30, 2012
Elementary Schools, continued:						
Lynbrook	\$ 9,630.55	\$ 72,337.06	\$ 70,386.98	\$ 10,243.43	\$ 10,243.43	\$ 11,580.63
Mantua	66,906.10	212,598.58	187,271.63	34,492.42	34,492.42	92,233.05
Marshall Road	59,829.87	212,745.29	214,311.73	14,445.50	14,445.50	58,263.43
McNair	21,299.72	281,101.28	254,020.15	38,635.21	38,635.21	48,380.85
Mosby Woods	37,250.08	147,117.82	135,123.06	1,934.43	1,934.43	49,244.84
Mount Eagle	11,528.72	42,951.02	40,825.48	4,814.43	4,672.42	13,796.27
Mount Vernon Woods	6,257.02	92,710.83	89,722.07	10,939.89	10,939.89	9,245.78
Navy	84,766.38	161,193.94	162,728.36	5,813.67	5,813.67	83,231.96
Newington Forest	57,970.50	163,901.61	191,228.44	27,492.52	27,492.52	30,643.67
North Springfield	27,657.08	141,798.59	148,546.30	26,995.38	26,995.38	20,909.37
Oak Hill	42,817.38	276,432.36	295,726.99	28,631.02	28,631.02	23,522.75
Oak View	55,322.24	186,269.65	191,571.96	8,080.15	8,080.15	50,019.93
Oakton	78,646.59	83,081.30	84,373.93	26,490.87	26,490.87	77,353.96
Olde Creek	72,249.49	113,410.58	106,107.58	3,474.56	3,474.56	79,552.49
Orange Hunt	66,476.80	128,071.83	126,457.69	15,328.96	15,328.96	68,090.94
Parklawn	34,048.64	105,330.68	108,985.82	18,872.40	18,872.40	30,393.50
Pine Spring	38,193.78	117,089.87	124,685.98	12,713.47	12,713.47	30,597.67
Poplar Tree	16,101.42	146,595.85	148,570.06	8,108.80	8,108.80	14,127.21
Powell	26,885.55	227,471.80	227,653.26	7,000.29	7,000.29	26,704.09
Providence	57,271.64	234,899.13	269,514.13	19,468.88	19,468.88	22,656.64
Ravensworth	66,940.78	114,866.38	100,059.80	911.39	1,211.39	81,447.36
Riverside	34,739.63	81,288.61	85,062.82	11,331.78	11,331.78	30,965.42
Rolling Valley	9,251.88	132,544.32	136,503.69	12,508.31	12,508.31	5,292.51
Rose Hill	55,525.32	115,052.03	107,868.88	23,403.96	23,403.96	62,708.47
Sangster	32,875.42	294,652.40	292,001.18	26,606.30	26,606.30	35,526.64
Saratoga	38,007.83	141,486.07	147,866.93	10,180.49	10,180.49	31,626.97
Shrevewood	31,087.18	186,417.16	184,739.86	27,881.48	27,881.48	32,764.48
Silverbrook	23,546.05	205,211.27	200,119.72	5,667.03	5,667.03	28,637.60
Sleepy Hollow	11,168.09	93,389.39	94,717.77	12,765.66	12,765.66	9,839.71
Spring Hill	44,140.24	238,504.60	248,417.28	6,721.55	6,721.55	34,227.56
Springfield Estates	25,786.67	163,871.88	159,314.67	1,849.77	1,849.77	30,343.88
Stenwood	45,082.15	139,869.86	121,286.73	9,696.38	23,689.19	49,672.47
Stratford Landing	10,218.46	58,182.27	57,116.82	1,592.93	1,592.93	11,283.91
Sunrise Valley	24,186.79	254,024.70	259,696.60	13,317.51	13,317.51	18,514.89

STATEMENT OF CASH RECEIPTS AND DISBURSEMENT, continued
For the Year Ended June 30, 2012

	Cash Balance July 1, 2011	Receipts	Disbursements	Transfers In (credit)	Transfers Out (debit)	Cash Balance June 30, 2012
Elementary Schools, continued:						
Terra Centre	\$ 14,091.27	\$ 117,432.78	\$ 114,411.61	\$ 15,941.04	\$ 15,941.04	\$ 17,112.44
Terraset	66,029.11	86,806.52	94,706.27	17,015.54	17,015.54	58,129.36
Timber Lane	24,814.23	103,361.17	99,668.14	8,585.16	8,585.16	28,507.26
Union Mill	134,319.17	247,580.25	252,422.28	17,096.53	17,096.53	129,477.14
Vienna	22,773.71	107,696.31	104,965.91	5,838.69	5,838.69	25,504.11
Virginia Run	82,686.32	91,067.10	89,612.67	4,244.07	4,055.07	84,329.75
Wakefield Forest	109,708.25	79,539.97	76,143.63	19,350.24	19,350.24	113,104.59
Waples Mill	43,171.09	131,219.60	130,677.82	5,255.62	5,255.62	43,712.87
Washington Mill	19,673.14	71,201.94	68,660.61	964.01	964.01	22,214.47
Waynewood	39,651.97	243,230.52	243,127.87	17,847.71	17,847.71	39,754.62
West Springfield	39,718.94	71,350.57	52,563.33	14,277.88	14,277.88	58,506.18
Westbriar	50,742.80	136,111.03	142,289.81	6,349.21	6,349.21	44,564.02
Westgate	42,739.67	132,417.02	121,925.39	8,253.29	8,253.29	53,231.30
Westlawn	27,700.92	124,037.20	114,212.72	37,489.31	37,489.31	37,525.40
Weyanoke	38,677.46	83,379.46	69,623.15	15,640.31	15,640.31	52,433.77
White Oaks	86,133.78	249,135.10	260,830.72	11,878.09	11,968.09	74,348.16
Willow Springs	31,672.29	151,728.50	148,263.18	8,904.68	8,904.68	35,137.61
Wolftrap	75,480.66	154,351.17	171,589.06	13,748.88	13,748.88	58,242.77
Woodburn	24,543.63	105,143.80	104,033.22	12,383.76	12,383.76	25,654.21
Woodlawn	9,365.27	114,951.40	111,052.23	10,602.70	10,602.70	13,264.44
Woodley Hills	43,930.89	231,647.73	245,123.91	88,885.86	100,153.02	19,187.55
Subtotal	5,907,760.97	21,021,240.30	21,178,272.35	2,328,181.33	2,331,037.63	5,747,872.62
Other Schools:						
Bryant Alternative	45,027.39	263,650.14	270,811.44	31,639.40	31,639.40	37,866.09
Burke (Center) School	5,219.27	27,458.56	29,034.34	570.00	570.00	3,643.49
Cedar Lane Center	7,599.91	34,636.31	37,094.16	8,659.00	8,659.00	5,142.06
Chantilly Academy	56,065.17	753,943.73	761,270.89	253,026.65	253,046.65	48,718.01
Davis Career Center	69,266.78	147,885.58	148,601.59	10,933.20	10,933.20	68,550.77
Edison Academy	44,424.20	199,244.61	200,548.72	13,969.66	13,969.66	43,120.09
Key Center	16,599.13	29,093.05	35,036.76	15,765.65	15,765.65	10,655.42
Kilmer Center	14,924.24	36,340.43	38,459.76	12,821.04	12,821.04	12,804.91
Mountain View Alternative	101,544.99	108,625.36	110,176.26	4,036.49	4,091.49	99,939.09
Pulley Center	21,193.05	60,722.68	61,868.71	6,407.89	6,407.89	20,047.02

STATEMENT OF CASH RECEIPTS AND DISBURSEMENT, continued
For the Year Ended June 30, 2012

	Cash Balance July 1, 2011	Receipts	Disbursements	Transfers In (credit)	Transfers Out (debit)	Cash Balance June 30, 2012
Other Schools, continued:						
Quander Road School	\$ 12,454.93	\$ 28,770.86	\$ 28,820.85	\$ 4,151.45	\$ 4,151.45	\$ 12,404.94
Woodson Adult High	50,525.65	366,364.40	363,795.04	12,367.08	12,367.08	53,095.01
Subtotal	444,844.71	2,056,735.71	2,085,518.52	374,347.51	374,422.51	415,986.90
Departments:						
Adult & Community Education	10.00	554,096.05	554,106.05	45,466.42	45,466.42	0.00
Special Services	40,093.58	19,029.89	17,691.94	450.03	450.03	41,431.53
Subtotal	40,103.58	573,125.94	571,797.99	45,916.45	45,916.45	41,431.53
Total	\$19,862,596.39	\$98,619,896.59	\$98,910,746.28	\$12,979,621.43	\$12,994,656.87	\$19,556,711.26

Schools with No Reportable Findings

High Schools:

Centreville
Falls Church
Stuart

Middle Schools:

Holmes
Langston Hughes
Luther Jackson
Stone

Other Schools:

Burke (Center) School
Davis Career Center
Mountain View Alternative
Pulley Center

Elementary Schools:

Annandale Terrace
Beech Tree
Belvedere
Braddock
Bull Run
Bush Hill
Canterbury Woods
Cardinal Forest
Centreville
Cherry Run
Chesterbrook
Clermont

Elementary Schools, continued:

Crestwood
Dranesville
Fairfax Villa
Fairview
Floris
Fort Hunt
Fox Mill
Franklin Sherman
Glen Forest
Hunt Valley
Hunters Woods
Island Creek
Kent Gardens
Laurel Hill
Lees Corner
Little Run
London Towne
Newington Forest
Oakton
Olde Creek
Sangster
Sleepy Hollow
Stratford Landing
Terre Centre
Timber Lane
White Oaks
Wolftrap
Woodburn

Audit Findings, Recommendations, and Management's Response

Note: A response was not requested from the principals. However, if a response was provided, it was placed in this report as written. Internal Audit did not correct mistakes, grammatical or otherwise.

Finding No. 1: Cash Receipts

1a – Funds Verification

There was no indication that all receipts had been verified before the deposit was made at nine schools. A total of 30 receipts reviewed lacked a signature and date for funds verification. Regulation 5810, School Activity Funds Management, states, "After the amount of the deposit is verified by the finance technician or administrative assistant, a receipt shall be posted in the automated accounting system." Verification of funds reduces the risk of inaccurate amounts being posted.

Recommendations:

We recommend that all receipts be verified prior to posting.

Principals' Response:

The principal(s) concur(s) with the recommendation(s).

1b – Timely Receipt

Staff members at 32 schools held funds for more than two school days before remitting those funds to the finance technician/administrative assistant. Regulation 5810, School Activity Funds Management, states, "After the amount of the deposit is verified by the finance technician or administrative assistant, a receipt shall be posted in the automated accounting system." The *School Finance for Teachers* guidance, provided by Financial Services, states, "Submit funds collected...to the school finance office on a daily basis." Daily submission of funds reduces the risk of loss due to theft or impropriety.

Recommendations:

We recommend that staff continue to be reminded to submit funds to the finance technician/administrative assistant on a daily basis.

Principals' Response:

All, but one, principal concur(s) with the recommendation(s).

One principal responded: The finance technician was on leave for the dates of 5/24 and 25. The following Monday, May 28 was Memorial Day and all FCPS employees were off. On Tuesday, May 29, the finance technician received the cash receipts. The funds were secured in a safe for the duration of the time passed.

1c – Insufficient Documentation

Staff members at 19 schools submitted deposit slips that lack sufficient detail. The missing details included one or more of the following:

- no indication of who submitted the money and the amount submitted preventing the verification of funds that should have been received
- no indication of the account name/number for where funds should be deposited preventing the verification that deposits were properly recorded
- no indication of the total amount submitted for deposit or the date funds were turned in preventing the verification of the deposit amount and timeliness
- no deposit slip on file preventing the verification that the deposit existed and was properly accounted for

Regulation 5810, School Activity Funds Management, states, "Documentation of cash receipts is an essential component of the recording of revenue...the collector may prepare a list showing the payers' names, date the funds are collected, and amounts...or a school finance office deposit slip-detailed may be used for this purpose." Verification of funds reduces the risk of loss or inaccuracy in the amounts being posted.

Recommendations:

We recommend that all receipts be verified against supporting documentation prior to posting.

Principals' Response:

The principal(s) concur(s) with the recommendation(s).

One principal provided an additional response: SCA sponsor will be instructed to list each student purchasing fundraiser items and then submitting the list of names with the deposit of such funds.

1d – Deposit Intact

Funds at five schools were not deposited in the same form as they were received. Regulation 5810, School Activity Funds Management, states, "All general and specific revenue classified as school activity funds shall be receipted into the school activity fund records promptly and intact, i.e., no disbursements of revenue received shall be made until such revenue has been receipted into the records and deposited in the checking account." Proper accounting of funds reduces the risk of impropriety and inaccuracy in amounts posted.

Recommendations:

We recommend funds be deposited intact.

Principals' Response:

The principal(s) concur(s) with the recommendation(s).

1e – Timely Deposit

On one or more occasions, funds were not deposited in the bank in a timely manner at 20 schools. Regulation 5810, School Activity Funds Management, states that, "...significant amounts should not be allowed to accumulate and should not be retained on hand overnight. Amounts totaling \$25 or less shall be deposited within ten business days. Amounts exceeding \$25 shall be deposited within five business days." Timely deposits reduce the risk of loss.

Recommendations:

We recommend that all receipts be deposited in a timely manner.

Principals' Response:

The principal(s) concur(s) with the recommendation(s).

Finding No. 2: Cash Disbursements

2a – Insufficient Documentation

Fifty-four schools had missing or incomplete documentation for one or more cash disbursements. Properly completed purchase orders and/or original itemized receipts were not on file for all disbursements tested. In one instance, the disbursement was for a cash advance to an employee to accompany students on a trip. The employee cashed the check, but did not submit receipts to evidence the funds had been spent correctly. In five of the 54 schools, the advanced appropriated funds were disbursed without the completion of a purchase order. In 21 of the 54 schools, staff did not submit original, itemized receipts for purchases from restaurants. Regulation 5810, School Activity Funds Management, states,

“All expenditures must be supported by proof of purchase such as an original invoice, sales ticket, sales receipt, or cash register tape.” In addition, the regulation states, “All purchases of goods or services made from school activity accounts, including advanced appropriated funds, shall be supported by the prior submission of an approved school purchase order...Exceptions...if approved by the principal...purchases not exceeding \$100 and forwarding funds to FCPS.” Disbursements made without proper supporting documentation prevent verification of the appropriateness of the amount and items purchased

Recommendations:

We recommend all expenditures be supported by a properly completed approved purchase order and an original itemized receipt.

Principals' Response:

The principal(s) concur(s) with the recommendation(s).

Two additional responses were received:

- Principal – Check 12969 to HSBC Solutions for \$286.66 did not include a charge of \$35.00 therefore no receipt was necessary. The PO #12-385 was never used as it was for a cake for the AP who was leaving, but a teacher decided to make a cake instead of purchasing one. The PO was inadvertently left with the other two for that time period (January 2012). Check 12987 for \$1,030.00 was for a school hosted event, District XII Chorus, for which our Choral Director was hosting. At the conclusion of this event he listed the recipients of the stipends and the reason they should be paid by VMEA for their services. He requested that the check be cut and that a copy of the PO be sent to VMEA for them to make the payments. His PO served as his invoice for this payment to and from VMEA.
- Department – Per Regulation 5810 supporting documentation will be attached to checks and no approval shall be made without such documentation. The supporting documents shall be affixed to the checks in a secure manner when filed in the office. As to the check number 10379 our office will notify the school board auditor if supporting documentation is located.

2b – Competitive Bids

Eighteen schools had disbursements in excess of \$5,000, but did not have bid documentation or a FCPS contract associated with the purchase. Regulation 5012, Purchasing Goods and Services Using Appropriated and Nonappropriated Funds, states, “Competition is required for all procurement activities that exceed \$5,000.00...Requirements that cost between \$5,000.00 and \$50,000.00 require soliciting at least four (4) written competitive bids...Requirements may NOT be split into smaller orders to avoid the \$5,000 small purchase order limit.” Competitive bidding allows schools to obtain goods and services at the lowest prices by stimulating competition and preventing favoritism.

Recommendations:

We recommend that appropriate procurement procedures be followed for all purchases.

Principals' Response:

The principal(s) concur(s) with the recommendation(s).

2c – Invoice Accuracy

One school paid an invoice that was mathematically inaccurate resulting in an overpayment of \$15.40. Regulation 5810, School Activity Funds Management, states, “Prior to the disbursement of funds against an invoice (or other billing document) the finance technician or administrative assistant shall cross-check the billing against the applicable purchase order. Discrepancies noted shall be brought to the attention of the fund sponsor, who will annotate the billing to indicate the correct payment amount. Fund sponsors are additionally charged with the responsibility of verifying their applicable billings...prior to the disbursement of funds.” Verification of billing reduces the risk of inaccurate payments.

Recommendations:

We recommend all invoices be verified, with discrepancies explained, prior to payment.

Principals’ Response:

In regards to the Cash Disbursement section, every effort will be made to verify purchase orders and invoices for accuracy in the future.

2d – Prompt Payment of Obligations

Twenty-three schools did not submit payments to vendors in a timely manner resulting in delinquent vendor payments and the incurring of finance charges:

- Finance charges, totaling \$1,311.86, were paid to J.P. Morgan Chase at 22 schools
- Finance charges, totaling \$76.55, were paid to other credit card vendors by one school
- Vendor payments, totaling \$3,538.93, were either paid late or remained unpaid at the time of the audit at three schools

Regulation 5810, School Activity Funds Management, states, “Payment obligations should be timely in order to...avoid unwarranted late payment penalties.” Paying late fees results in the ineffective use of funds and decreases the funds available to support students. Additionally, late payments to vendors may result in the denial of future goods and services for students.

Recommendations:

We recommend obligations be paid promptly to avoid penalty fees

Principals’ Response:

The principal(s) concur(s) with the recommendation(s).

2e – Prior Approval

There was no evidence to indicate that 196 purchases made at 63 schools were properly preapproved. Regulation 5810, School Activity Funds Management, states, “All purchases of goods or services made from school activity accounts, including advanced appropriated funds, shall be supported by the prior submission of an approved school purchase order...Exceptions...if approved by the principal...purchases not exceeding \$100 and forwarding funds to FCPS.” When a school uses purchase orders for all transactions, both greater and less than \$100, it implies that the principal expects a purchase order for all purchases. Purchases made or committed without the prior submission of a school purchase order are subject to the principal's declining the responsibility for payment and having the vendor concerned seek settlement from other sources.

Recommendations:

We recommend all purchases be properly approved to minimize the risk of inappropriate fund usage.

Principals' Response:

The principal(s) concur(s) with the recommendation(s).

Three principals provided an additional response:

- I will sign an open Purchase Order (PO), not to exceed \$2,500.00 for the school's cafeteria so reimbursement for student incentives that are submitted to me on Food & Nutrition Services, Food & Supply Sales Statement, S.L. 143, which I also sign to approve the fund transfer, can be done in full compliance of Regulation 5810. PO approved 12/12/11 was for Milk & Bookies Day, celebrated on December 22, 2011. Additionally, I have met with the appropriate staff members who contacted vendors for school purchases or functions to have them request a "proposal" from the company, so that a PO can be submitted for my approval prior to the actual order for goods or services being finalized.
- In the future all purchase orders will be signed prior to any expenditures being made by the staff.
- Reminding staff and club sponsors that written approval is required, prior to purchase, is ongoing.

2f – Purchase Order Log

Seven schools did not have a purchase order log. Two schools were not issuing purchase orders in sequential order. Two schools issued duplicate purchase order numbers for multiple purchases. The *Guidelines for Purchase Orders* states, "Purchase orders are to be sequentially numbered (and) Purchase orders are to be documented on a Purchase Order Log." Log numbers allow the finance technician or administrative assistant to properly track individual purchases.

Recommendations:

We recommend all purchase orders be given unique, sequential numbers and that a properly completed purchase order log be maintained.

Principals' Response:

The principal(s) concur(s) with the recommendation(s).

2g – Improper Use of Vendor or Funds

One school reimbursed purchases made from the commissary at Fort Belvoir. The *Expenditure Guidelines for Incidental Purchases* states, "Purchases made at commissary or military bases should not be reimbursed..." Additionally, one school utilized school activity funds to assist in the establishment of a Robotics Boosters Club. Regulation 5810, School Activity Funds Management, states, "School activity funds may not be given to PTAs or other organizations for any purpose including one that may ultimately benefit the school. Schools shall avoid any situation that may be construed as an attempt to circumvent FCPS policies or

regulations, e.g., purchasing requirements.” When funds are used for purchases from inappropriate vendors or given to a booster club, account integrity is lost and funds are not properly spent on students.

Recommendations:

We recommend the purpose of the account be reviewed to ensure appropriate fund sources are used for purchases and guidelines are adhered to.

Principals’ Response:

The principal(s) concur(s) with the recommendation(s).

2h – Procurement Card Log

A procurement card log was not properly maintained and/or consistently completed at 25 schools. Regulation 5350 states, “The card custodian shall ensure that all procurement card transactions are recorded on a Procurement Card Log.” The regulation further states, “The reconciler shall ensure all transactions on the statement are reconciled to the procurement card log and properly posted in the financial system.” The log provides an initial record of charges and credits as well as card users serving as a control reference for transaction activity. The log reduces the risk of unauthorized purchases and incorrect use of funds. The log should indicate the card number, the date the card was issued, vendor, item purchased, amount, card user, signature of user, the date the card was returned, and the date of the transaction. Without this information, it may be difficult to detect unintended charges.

Recommendations:

We recommend that all transactions be recorded on the procurement card logs, as they occur, to accurately reflect all transactions.

Principals’ Response:

The principal(s) concur(s) with the recommendation(s).

2i – Travel

One school provided inappropriate cash advances, totaling \$2,114.00, for eight nonlocal trips. Six advances were provided without preapproval from the principal and two were provided to the principal without preapproval from the cluster assistant superintendent. All eight cash advances lacked the proper travel request forms and conference information which would indicate where the conferences were being held and if they provided any meals. Upon returning from the conferences, no receipts or proof of purchases were given to the finance technician to reconcile the cash advances. For the eight cash advances it could not be determined where three of the conferences were held; therefore, it is unknown if a cash advance was appropriate or not. For the five stating a location, only one qualified for a cash advance, but the wrong amount was given. Regulation 5310, Travel-Local and Nonlocal, states, “The traveler must obtain prior approval...(and the) approving authorities and delegates must be at a higher grade level than the traveler seeking approval...Requests for prior approval of nonlocal travel must be submitted and approved through Online Travel prior to departure...Travel advances may be made for 75 percent of meals and incidental expenses per diem. Travel advances for less than \$200 will not be issued.” Regulation 5810, School Activity Funds Management, states, “Advances are settled by returning cash and/or expenditure documentation equal to the amount of the advance. Completed cash advance records shall be filed with expenditure records of the accounts from which the

advances were made.” Nonlocal travel and cash advance procedures are in place to ensure funds are spent properly. When funds are used inappropriately, account integrity is lost and funds are not properly spent on students.

Recommendations:

We recommend all travel be preapproved, correct documentation collected and retained on file, and advances be made in compliance with FCPS guidelines.

Principals’ Response:

The principal(s) concur(s) with the recommendation(s).

2j – Sales Tax

Six schools inappropriately paid Virginia sales tax, totaling \$77.70. Regulation 5810, School Activity Funds Management, states, “Most purchases from school activity funds are exempt from payment of sales tax. Specifically, the following purchases may be made tax exempt by using a certificate of exemption: Tangible personal property purchased by school groups for the use, consumption or resale in fund-raising activities for the benefit of schools.” Paying sales tax when not necessary results in the ineffective use of funds.

Recommendations:

We recommend that sales tax not be paid or reimbursed when a purchase qualifies for tax exempt status.

Principals’ Response:

The principal(s) concur(s) with the recommendation(s).

Finding No. 3: Accounting Procedures

3a – Incorrect Account Usage

Seventy-five schools charged expenditures or posted revenue to the incorrect accounts. For these 75 schools:

- Sixty-six schools purchased items for the benefit of staff, totaling \$54,865.48, using the Administrative-General Revenue/Expense or the Administrative-Donations fund. Purchases included, but were not limited to, business cards, furniture, meals, flowers, jackets, lodging, t-shirts, water, etc. Regulation 5810, School Activity Funds Management, states, “Cash disbursements from an account shall reflect the purpose for which the account was established.” The *Guidelines for Using the Local School Activity Funds Administrative Account* states, “All decisions to spend funds from the administrative account should be made with the welfare of the student body in mind.” When donations are deposited in the Administrative-Donations fund they are subject to the same rules as the Administrative-General fund which prohibits the purchase of food, lodging, etc...for staff. When incorrect accounts are used for purchases, account integrity is lost and funds are not properly spent on students.
- Six schools deposited or transferred funds, totaling \$4,775.68, into the Educational Contingency-General Revenue/Expense (ECA) account. The deposits were donations and rebates. The transfers were made from other activity fund accounts to offset expenditures, but the expenditures could not be identified. Regulation 5810, School Activity Funds Management, lists the sources of funds that can be transferred into ECA. These sources include, but are not limited to, retained fees, building use

rental, commissions, interest earned on nonstudent funds, and lost and damaged textbook funds. When improper deposits occur, integrity is lost and funds are not properly spent on students.

- Five schools purchased items for the benefit of staff using advanced appropriated funds. Purchases included, but were not limited to, refreshments, staff development, luncheons, shirts, etc. Regulation 5013 (old number 7412), Advanced Appropriated Funds Program, states, “Principals may purchase supplies and materials using the funds deposited in a special account designated for making direct purchases with advanced appropriated funds.” The Code of Virginia, Section 22.1-122.1, “grants a school board the authority to establish accounts in each of its schools committed solely for the purchase of instructional materials and office supplies that are not stocked or purchased directly by the school division.” When incorrect accounts are used for purchases, account integrity is lost and funds are not properly spent on students.
- Two schools purchased items for the benefit of staff, totaling \$939.11, using Athletics-General Revenue/Expense. Purchases included meals for meetings and shoes for coaches costing \$155 per pair. Regulation 5810, School Activity Funds Management, states, “Cash disbursements from an account shall reflect the purpose for which the account was established..Athletic Accounts...The funds are to be applied for the benefit of the athletic program.”
- Three schools posted expenditures/receipts to the incorrect account. The purchase of physical education equipment, \$1,000.00, was charged to Field Trips-Grade 2. Reimbursement for class supplies, \$76.42, was charged to Pre-School Snacks. Lastly, \$500.00 receipted for the 5th grade Medieval Field Trip was deposited into 5th Grade-General. Regulation 5810, School Activity Funds Management, states, “Cash disbursements from an account shall reflect the purpose for which the account was established.” When incorrect accounts are used for purchases, account integrity is lost and funds are not properly spent on students.

Recommendations:

We recommend the purpose of the account be reviewed to ensure appropriate fund sources are used for purchases and guidelines are adhered to.

Principals’ Response:

The principal(s) concur(s) with the recommendation(s).

Two principals provided an additional response:

- The purchase of water for our water dispensers is readily available for parents and visitors to our building. In the future this water supply will be paid from the principal’s ECA account as suggested. The purchase of badge holders for staff security badges was seen as a safety issue and necessary for the safety of our students, and therefore was purchased from the Administrative Account. We believe that this was in line with the guidelines – “with the welfare of the student body in mind.” If this is not an acceptable practice we will request replacement badge holders from HR in the future.
- In regards to the Accounting Procedures section, the Regulation 5810 was misinterpreted. The funds were spent on the understanding that the students would indirectly benefit by these purchases. In the future, if there is uncertainty in the translating of a regulation, our Cluster Financial Analyst will be consulted. I would

also like to clarify that Check #3367 in the amount of \$446.27 to Apple Spice Junction was for a Pyramid Vertical Articulation training in which my school was responsible for organizing lunch for the entire event. The other schools in our pyramid reimbursed my school and the funds were deposited back into the account less our share of \$32.34.

3b – Inactive Accounts

Inactive class accounts are being maintained at one school. Additionally, transactions in the accounts do not reflect the purpose of the accounts. A Class of 2008 account had a 06/30/12 balance of \$1,539.48. For fiscal years 2011 and 2012, in addition to a donation to the class of 2012 and the purchase of molded plastic tables, account expenditures included the purchase of lunch for the art department and payment for an art field trip. A Class of 2009 account had a 06/30/12 balance of \$6,623.70. For fiscal years 2011 and 2012, in addition to a class gift, the account was used for the purchase of plaques for the podium and receipt of senior fees. Class accounts are defined as club accounts and Regulation 5810, School Activity Funds Management, states, “if a club is inactive for a complete school year, i.e., there is no financial activity or administrative activity such as meetings, the balance of the account shall be transferred to an account designated by the principal.” While these two accounts have experienced activity over the last two years, with the exception of the purchases of tables and plaques for the school, the activity in the accounts does not appear to represent a school gift or transactions for the benefit of the students in the class of 2008 or 2009.

Recommendations:

We recommend that the accounts be closed and funds transferred in accordance with the regulation.

Principals’ Response:

The principal(s) concur(s) with the recommendation(s).

3c – Use of Open Purchase Orders

At one school, a large number of open purchase orders remained open and active, allowing for expenditures to cross fiscal years. Additionally, many of the purchase orders are for “vendors to be determined,” with no description of the items to be purchased, only a notation “supplies for club activities.” Regulation 5810, School Activity Funds Management, states, “All purchases of goods or services made from school activity accounts, including advanced appropriated funds, shall be supported by the prior submission of an approved school purchase order...” The *Guidelines for Purchase Orders* states, “An open purchase order may be used as a convenient method when an order is established against an individual fund account for frequently recurring expenditures to one vendor for a specified period of time.” Keeping purchase orders open for multiple years does not provide adequate control over the procurement process. Additionally, the use of “vendors-to be determined” for “supplies for club activities” is vague and does not appear to meet the intent of the guideline.

Recommendations:

We recommend that all open purchase orders have a set time period for which they can be active, not to exceed one fiscal year. Once the time period has expired, or the fund limit reached, the purchase order should be closed.

Principals' Response:

The principal(s) concur(s) with the recommendation(s).

One principal provided an additional response. Open purchase orders, to include vendor names, will not exceed the fiscal year, or approved amount encumbered. Outstanding invoices to be paid the next fiscal year will be reported on the accounts payable report, as part of the end-of-the-year process.

3d – Employee Disclosure Forms

Employee Acknowledgement Disclosure Forms were not on file for all procurement card users at ten schools. Regulation 5350, Procurement Card Management, states, "The program manager shall ensure that each employee reads and signs the Procurement Card Employee Acknowledgement Disclosure form before initial use of any procurement card." The agreement provides assurance that the employee is aware of the responsibilities and obligations associated with card use.

Recommendations:

We recommend that each employee who initiates a charge should read and sign a Procurement Card Employee Acknowledgement Disclosure Form.

Principals' Response:

The principal(s) concur(s) with the recommendation(s).

One principal provided an additional response: Each employee is required to have an approved disclosure form on file, **before** using a school procurement card. The Finance Office keeps all completed forms on file and verifies a completed form is on file, prior to allowing staff to check out a school procurement card.

3e – Reconciliation

Bank reconciliations were not properly completed, and/or reconciling items cleared, at 12 schools. For these 12 schools:

- Three schools did not complete reconciliations in a timely manner for checking, savings, or certificate of deposit accounts
- Five schools had deposits outstanding over 30 days
- Two schools had voided checks, dated 06/26/07, 06/23/10, 02/25/11, and 06/01/11, that subsequently cleared the bank still listed as outstanding on the reconciliation
- Two schools received an advanced appropriated funds deposit in error and did not take appropriate steps to clear the error in a timely manner
- One school completed reconciliations, but there was no evidence of review or approval by the principal
- One school had unrecorded interest
- One school properly closed a certificate of deposit, but made an error in the journal entries resulting in the amount being shown as an outstanding item on the reconciliation
- One school did not receive canceled checks or check images

Regulation 5810, School Activity Funds Management, states, "The checking account balance shown on the bank statement and the checking balance shown in the accounting records at the end of the month must be reconciled promptly upon receipt of the bank statement." In addition, the regulation states, "Canceled checks or copies of canceled checks must be returned." Reconciliations reduce the risk of undetected errors and increase the timeliness of corrections. Additionally, reconciliations provide a confirmation of funds available to be spent for the benefit of students.

Recommendations:

We recommend that all bank statements be reconciled, and reconciling items cleared, in a timely manner.

Principals' Response:

The principal(s) concur(s) with the recommendation(s).

One principal provided an additional response. The Finance Office will contact banks earlier, to obtain the interest earned on Certificates of Deposit, for the current fiscal year.

3f – Advanced Appropriated Funds Return

One school had a 06/30/12 advanced appropriated funds account balance of \$770.33. Regulation 5013, Advanced Appropriated Funds Program, and Regulation 5810, School Activity Funds Management, states, "All unobligated funds remaining in the accounts at the end of each fiscal year shall be returned to financial services by the date specified in the annual fiscal year closeout Notice 5110, provided the unobligated funds are in excess of ten dollars." The Code of Virginia, section 22.1-122.1, states, "all funds remaining in the account shall be returned to the school board."

Recommendations:

We recommend that Financial Services be contacted to determine the proper procedure to follow regarding the remaining fiscal year 2012 funds. Additionally, we recommend controls be implemented to prevent a reoccurrence of noncompliance.

Principals' Response:

The principal(s) concur(s) with the recommendation(s).

3g – Deficit Fund Balance

Accounts at two schools held deficit balances as of 06/30/12:
Special Functions–General Revenue/Expense account held a deficit balance of \$6,000 at year end. Regulation 5810, School Activity Funds Management, states the following for funds held for others, "Accounts hold funds that are not designated to benefit the student body. Accounts are dedicated for a specific purpose and are not available for other uses. Individual accounts shall not hold a deficit balance."

School business accounts, in total, had a deficit balance:

Administrative-General Rev/Exp, \$2,835.72

Educational Contingency-Academy-General Rev/Exp, \$6,811.87

Regulation 5810, School Activity Funds Management, states, "Accounts cannot hold a deficit balance longer than 30 consecutive days during the academic year or end the academic year with a deficit balance." When accounts hold deficits at the end of the year, funds belonging

to other categories are being used to support activities not compatible with the purpose of those funds.

Recommendations:

We recommend accounts be monitored and purchases made only when funds are available. Additionally, account deficits should be cleared in a timely manner.

Principals' Response:

The principal(s) concur(s) with the recommendation(s).

3h – Authorized Signatories & Dual Signatures

Checks and/or purchase orders were not properly signed at four schools. Two schools had checks that were not signed by two authorized signers. One school utilized a signature stamp in lieu of the principal's signature to approve purchases. It was noted that the stamp was used when the principal was unavailable, but with the principal's permission. Lastly, at one school the principal was an authorized signer on a check payable to him/herself. Regulation 5810, School Activity Funds Management, states, "Checks drawn...shall require dual signatures...A signature stamp shall not be used in lieu of any signature...and The principal, alternate signatories, and cosigners shall not sign checks payable to themselves." Disbursements made without appropriate approved signatories increase the risk of impropriety and inappropriate distributions.

Recommendations:

We recommend purchases be approved and checks be signed by authorized individuals in accordance with the regulation.

Principals' Response:

The principal(s) concur(s) with the recommendation(s).

3i – Cash Accounts

One school maintained two school activity fund checking accounts, an account at BB&T with a 06/30/12 balance of \$39,501.33, and an account at Wells Fargo with a 06/30/12 balance of \$18,762.10. Regulation 5810, School Activity Funds Management, states "Only one checking account shall be established for each school's activity funds..." Multiple checking accounts increase the work required to maintain an accurate accounting record for receipts and disbursements.

Recommendations:

We recommend the school maintain one checking account for school activity funds.

Principals' Response:

The principal(s) concur(s) with the recommendation(s).

3j – Transfer Vouchers

Two schools processed fund transfers without a properly completed and approved transfer voucher. In addition, one school processed three additional transfers in an effort to correct one incorrect transfer. Regulation 5810, School Activity Funds Management, states, "If funds of one account are to be used for an expenditure that benefits another account, the funds

first should be transferred to the appropriate account, and the cash disbursement then will be made from the account that is to benefit from the expenditure.” Additionally, the regulation states, “Prior to entering the transfer into the automated accounting system, the Transfer Voucher Request shall be approved by the account sponsor(s) and the principal, or his or her designee, and shall include a description of the reason for the transfer.” The integrity of the account is reduced when inappropriate funds are transferred incorrectly. Transfer vouchers are used to reduce the risk of inappropriate fund transfers.

Recommendations:

We recommend account transfers be verified and properly approved before posting to ensure account accuracy and integrity.

Principals’ Response:

The principal(s) concur(s) with the recommendation(s).

3k – Voided Checks & Voided Cash Receipts

Voided checks could not be located or were not properly mutilated at eight schools. Additionally, cash receipts were voided without proper documentation at one school. Regulation 5810, School Activity Funds Management, states, “Voided checks shall be clearly annotated as void and retained in the voided check file. If the check has been signed, the signature should be mutilated or otherwise rendered unacceptable.” Mutilating the signature ensures the voided check cannot be negotiated.

Great Plains 10.0 Training Guide states, “Print the *Cash Receipt Posting Journal*. File this report in the *Voided Cash Receipts* file along with the *Bank Deposit Posting Journal*...the *Bank Deposit Posting Journal* . . . **must** be attached to the original deposit documentation.”

Recommendations:

We recommend all voided checks be properly mutilated. Additionally, we recommend that the reason for voiding cash receipts be maintained on file to provide evidence of the disposition of funds.

Principals’ Response:

The principal(s) concur(s) with the recommendation(s).

One department provided an additional response: Check number 10164 has been properly mutilated as of 09/05/12. All checks will be voided and mutilated according to Regulation 5810. All checks will be reviewed before filing.

3l – Vendor Payment Process

One department provided direct payment to police officers to provide security for graduation at Kena Shrine. Additionally, there was no documentation to support the amount paid. Regulation 5810, School Activity Funds Management, states, “The Police Department furnishes officers for athletic events and school activities and bills the school. Police officers shall not be paid directly by the school. The school pays the Police Department the portion of the bill that is the school’s responsibility and submits the balance to financial services (Accounts Payable Section) for payment.” Additionally, the regulation states, “All expenditures must be supported by proof of purchase such as an original invoice, sales

ticket, sales receipt, or cash register tape.” Itemized receipts provide evidence for verification that funds were spent on allowable items.

Recommendations:

We recommend that payments to police officers be made in accordance with the regulation and that all disbursements be supported by original itemized receipts.

Department Response:

The department concurs with the recommendations.

3m – Checks over 180 days

Sixteen schools had checks outstanding over 180 days. Regulation 5810, School Activity Funds Management, states, “Un-negotiated checks shall be written back into the records when it becomes clear that they will probably not clear the bank...after 180 days.”

Recommendations:

We recommend voiding checks that are outstanding over 180 days.

Principals’ Response:

The principal(s) concur(s) with the recommendation(s).

One principal provided an additional response. The Finance Office will make sure to monitor all outstanding checks and void any that are beyond 180 days.

SUMMARY AUDIT RESULTS BY SCHOOL
For the Year Ended June 30, 2012

	Clean Audit	Cash Receipts					Cash Disbursements								Accounting Procedures														
		Funds Verification	Timely Receipt	Insufficient Documentation	Deposit Intact	Timely deposit	Insufficient Documentation	Competitive Bids	Invoice Accuracy	Prompt Payment Obligations	Prior Approval	PO log/#s	Improper Use of Vendor or Funds	Procurement Card log	Travel	Sales Tax	Incorrect Account Usage	Inactive Accounts	Use of Open Purchase Orders	Employee Disclosure Forms	Reconciliation	Advanced Appropriated Funds	Deficit Fund Balances	Authorized & Dual Signatures	Cash Accounts	Transfer Voucher	Voided Checks & Cash Receipts	Vendor Payment Process	Checks >180 days
High Schools:																													
Annandale			1			4				15			2																
Centreville	X																												
Chantilly							1																						
Edison			2		3	2	2		5	12		2				3													
Fairfax							1		8							2													2
Falls Church	X																												
Hayfield						3	3			2			3			4													
Herndon						5				2			4						1										12
Lake Braddock							5			5						1			2										
Langley						1			6							1													1
Lee			1		1	2	1																						2
Madison			2			2	1			1			6	8															
Marshall			2			5	4		7	7			3		1					3		1							

SUMMARY AUDIT RESULTS BY SCHOOL, continued
For the Year Ended June 30, 2012

	Clean Audit	Cash Receipts					Cash Disbursements								Accounting Procedures												
		Funds Verification	Timely Receipt	Insufficient Documentation	Deposit Intact	Timely deposit	Insufficient Documentation	Competitive Bids	Invoice Accuracy	Prompt Payment Obligations	Prior Approval	PO log/#s	Improper Use of Vendor or Funds	Procurement Card log	Travel	Sales Tax	Incorrect Account Usage	Inactive Accounts	Use of Open Purchase Orders	Employee Disclosure Forms	Reconciliation	Advanced Appropriated Funds	Deficit Fund Balances	Authorized & Dual Signatures	Cash Accounts	Transfer Voucher	Voided Checks & Cash Receipts

Elementary Schools, continued:

Camelot															3															
Cameron			3																										7	
Canterbury Woods	X																													
Cardinal Forest	X																													
Centre Ridge												1			6															
Centreville	X																													
Cherry Run	X																													
Chesterbrook	X																													
Churchill Road					1					3				3																
Clearview															4															
Clermont	X																													
Coates																			1											
Columbia						1																								

