

**ROANOKE CITY PUBLIC SCHOOLS  
SCHOOL ACTIVITY FUNDS**

**COMMENTS ON INTERNAL CONTROL  
AND OTHER SUGGESTIONS FOR YOUR  
CONSIDERATION**

**June 30, 2016**

## CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL AND OTHER SUGGESTIONS.....	3
COMMENTS ON INTERNAL CONTROL AND OTHER SUGGESTIONS FOR YOUR CONSIDERATION.....	5
SUMMARY OF THE STATUS OF PRIOR YEAR COMMENTS AND OTHER SUGGESTIONS.....	6
SUMMARY OF THE STATUS OF PRIOR YEAR COMMENTS AND OTHER SUGGESTIONS – INFORMATION TECHNOLOGY .....	9



## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND OTHER SUGGESTIONS**

Honorable Members of the  
City of Roanoke School Board  
Roanoke, Virginia

In planning and performing our audit of the statement of cash receipts and expenditures of the Roanoke City Public Schools School Activity Funds (the "Activity Funds") for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Activity Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the Activity Funds' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. The material weakness is included in the attached report and is appropriately designated.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Any significant deficiencies noted are included in the attached report and are appropriately designated.

Additionally, during our audit we became aware of certain matters that provide opportunities for improving your accounting system and/or operating efficiency. Our comments and suggestions regarding these matters are included in the attached report. Since our audit is not designed to include a detailed review of all systems and procedures, these comments should not be considered as being all inclusive of areas where improvements might be achieved. It is our hope that these suggestions will be taken in the constructive light in which they are offered. In addition, Management's responses to our comments were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

---

*Your Success is Our Focus*

We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Lastly, our review of the status of prior year comments and suggestions is also included within this report.

This report is intended solely for the information and use of the School Board, management, and others within Roanoke City Public Schools, and is not intended to be, and should not be, used by anyone other than those specified parties.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
October 17, 2016

**COMMENTS ON INTERNAL CONTROL AND OTHER  
SUGGESTIONS FOR YOUR CONSIDERATION**

**A. SUPPORTING DOCUMENTATION**

During our testing of receipts, we noted 2 instances, totaling \$11,471 out of a population of 338 where no supporting receipt documentation was available. We were able to verify the receipt by reviewing the deposit on the bank statement. We suggest that copies of checks or other supporting documentation be retained to ensure accuracy when posting.

**Management's Response:** *Management concurs with this recommendation. The school division continues to increase training opportunities in an effort to better inform all staff who are involved in the handling of cash deposits.*

**B. PETTY CASH THEFT**

During our testing of petty cash, we noted a theft of \$300 cash from Monterey Elementary sometime over the weekend of June 3, 2016. We recommend the school implement additional controls limiting access to the petty cash funds.

**Management's Response:** *The school division became aware of the theft of petty cash from Monterey Elementary during the week of June 4, 2016 and the Chief Financial Officer promptly informed the Brown Edwards partner in charge, prior to testing. The school division requires that all schools keep petty cash funds in a secure location and limit the number of employees who have access to the funds. This was an isolated incident and management at this school location has increased efforts to limit access to their funds. RCPS will remind school leaders of the control procedures regarding petty cash funds through regular trainings.*

## SUMMARY OF THE STATUS OF PRIOR YEAR COMMENTS AND OTHER SUGGESTIONS

### A. CASH RECEIPTS (MATERIAL WEAKNESS)

Due to the decentralized nature of cash collections, it is not practical or cost beneficial to establish adequate internal accounting controls to ensure that all cash receipts are recorded. Although the School Finance Department conducts training sessions for the bookkeepers, developed an in-depth accounting manual, and management represents that they have established open lines of communication between their office and the school bookkeeper, there still exists a possibility that transactions may not be reflected in the accounting records. This is a common situation among school activity funds and similar organizations.

**Current Status:** *Still applicable.*

### B. USE OF RECEIPTS

During our testing, we noted that receipts are not issued by all teachers for all cash receipts. As noted above, completeness of cash receipts is a weakness inherent to the decentralized nature of school activity funds. While receipt issuance would not alleviate the weakness in its entirety, it would strengthen controls over cash received and provide a system of control.

**Current Status:** *Still applicable. During our current year testing of receipts, we noted 34 instances out of a sample of 338, where receipts were either not issued or could not be found. At one particular school, the bookkeeper does not issue a receipt if the student pays with a check.*

**Management's Response:** *Additional training was provided before the start of the 2016-17 school year for all bookkeepers, and a session on appropriate handling of school funds, which included training on use of receipts, was added to the agenda for a new teacher orientation held in August 2016. These trainings will continue to be offered on an annual basis.*

### C. TIMELY DEPOSITS OF RECEIPTS

During testing of receipts, we noted receipts where it appeared there was a lag of one to two days between preparation of the deposit slip and actual deposit at the financial institution. We suggest that deposits be made daily to reduce susceptibility of cash and checks received to misappropriation.

**Current Status:** *Still applicable. During our current year testing of receipts, we noted 11 instances, totaling \$1,680.09 out of a population of 338 items tested where a receipt was not deposited timely. We suggest that deposits be made daily to reduce susceptibility of cash and checks received to misappropriation.*

**Management's Response:** *Management concurs with this recommendation. Challenges can arise when extenuating circumstances monopolize principal and bookkeeper time and attention, or, particularly in schools where the bookkeeper is the sole administrative support position in the office, when an employee responsible for making deposits is absent. When notified of these types of challenges, the Accounting Department will assist schools in making timely deposits. This topic will continue to be revisited during training opportunities with both bookkeepers and principals.*

**SUMMARY OF THE STATUS OF  
PRIOR YEAR COMMENTS AND OTHER SUGGESTIONS  
(Continued)**

**D. CASH REIMBURSEMENT**

During the prior year, it was noted that of the \$8,200 held in petty cash at various school locations, \$3,328.78 was in the form of cash waiting to be reimbursed. While it did not appear there were any errors, we do recommend that the petty cash fund be replenished timely to give management a more accurate depiction of cash on hand. We also noted three schools had at least one receipt greater than sixty days old waiting to be reimbursed at the time of our testing.

***Current Status:** Still applicable. During the current year, it was noted that \$2,588.39 of the \$8,200 held in petty cash was waiting to be reimbursed. We also noted three schools had at least one receipt greater than sixty days old waiting to be reimbursed at the time of our testing.*

***Management's Response:** Management concurs with this recommendation. The Accounting Department will continue to use training opportunities with principals, bookkeepers, and athletic directors to emphasize the importance of timely petty cash reimbursement. At the end of the fiscal year, the Accounting Department asked all schools to perform an audit of their petty cash, counting and verifying it in the presence of their principal or another appropriate staff person. This is a new procedure that we implemented this year to bring further awareness of the importance of balancing and maintaining petty cash records, and to stress the importance of timely reimbursements.*

**E. COMPLETENESS OF DEPOSIT**

During testing of receipts in prior year, we noted one instance totaling \$100, out of 367 items tested, where the deposit was less than the supporting receipts. We recommend that the bookkeeper make sure supporting documentation agrees to deposit prior to taking the money to the bank. If there are differences, the bookkeeper should follow-up with the individual submitting the receipts.

***Current Status:** Still applicable. During the current year, we noted one instance out of 338 items tested, where the deposit was less than the supporting receipts. We recommend that the bookkeeper make sure supporting documentation agrees to deposit.*

***Management's Response:** Management concurs with this recommendation. Principals and bookkeepers will be reminded of the importance of checking supporting documentation for accuracy. Additionally, the Accounting Department will carefully review deposits, and if a discrepancy is identified, a letter will be sent to the principal notifying him/her of the error and including a reminder of the procedure for cash deposits.*

**SUMMARY OF THE STATUS OF  
PRIOR YEAR COMMENTS AND OTHER SUGGESTIONS  
(Continued)**

**F. TIMELY REMITTANCE OF RECEIPTS BY TEACHERS**

During testing of receipts, we noted receipts where it appeared there was a lag of one to two days between receipt of money by teachers and remittance of funds to the bookkeeper. We suggest that teacher's receipts be submitted to the bookkeeper on a daily basis. We noted four instances, totaling \$451, out of a sample of 367 items tested, where a receipt was not deposited timely.

***Current Status:** Still applicable. During current year, we noted receipts where there was a lag of at least one day between receipt of money by teachers and remittances of funds to the bookkeeper. We noted 18 out of 338 instances for \$2,152.41 where a receipt was not deposited timely.*

***Management's Response:** Management concurs with this recommendation. With the significant demands on teachers' time, and the employee turnover inherent in an organization this size, we recognize that we will never be able to completely prevent this issue. However, Management uses administrative training opportunities to emphasize the importance of this procedure. A session on appropriate handling of school funds, which included a strong emphasis on the importance of timely submission of receipts and other financial information to bookkeepers, was added to the agenda for new teacher orientation held in August 2016. These trainings will continue to be offered on an annual basis.*

**G. PROCUREMENT APPROVAL**

Through inquiry with management and our procedures, we noted 10 out of 123 expenditures tested where the purchase exceeded the amount of the approved purchase order. Purchases should not exceed prior approved amounts.

***Current Status:** No similar instances noted during the 2016 audit.*

**SUMMARY OF THE STATUS OF PRIOR YEAR COMMENTS  
AND OTHER SUGGESTIONS – INFORMATION TECHNOLOGY**

**HOSTED THIRD-PARTY CORE SOFTWARE – SUPER USERS/SYSTEM ADMINISTRATORS**

The School Board has three full system administrators on the Aptafund system (Deputy Superintendent, Director of Accounting, and Director of Purchasing) who can alter or change permissions on existing accounts, as well as suspend accounts. None of the administrators can provide a new log-in or sign-on for a new employee. This can only be set up by Harris, the software vendor. The system administrators include personnel from the accounting department who provide limited monitoring of the system. There did not appear to be any regular review of all actions taken by super-user/system administrator logs from the Aptafund system to help ensure either the third-party vendor, or the system administrators have not made unauthorized changes. Our understanding is this was at least partially due to the voluminous log reports. We recommend consideration be made to filter these reports and have a non super-user perform a documented review of these reports.

For any application controls that include approvals or acknowledgement, or dependence on the login positively identifying the approver or reviewer, this could lead to a deficiency if the control is significant or key to an accounting or control cycle. This increases risk and necessitates both an expansion in breadth and depth of audit procedures. We recommend that any areas identified be considered for additional compensating controls.

**Current Status:** *Still applicable. The School Board continues to have three full system administrators on the Aptafund System who can alter permissions on accounts. Those positions are the Chief Financial Officer, Director of Accounting, and Director of Purchasing.*

**Management's Response:** *The Programmer for Roanoke City Public Schools worked diligently with Aptafund during the year in an effort to create a log report that would give the Chief Financial Officer the ability to review Super User activity, but we were unable to create a report that had all of the necessary information to be effective. In Spring 2016, the Chief Financial Officer proposed and received authorization for a reorganization of the Fiscal Services department to be effective July 1, 2016. That reorganization included the creation of a Business Systems Analyst position. The Business Systems Analyst will serve as the system administrator for Aptafund and other business systems, removing that responsibility from the accounting and purchasing staff mentioned above. This creates a separation of duties that will enhance the internal controls that are already in place.*