

**Roanoke City Public Schools  
Audit Committee Meeting**

November 1, 2016  
11:00 AM to 12:30 PM  
School Administration Building  
Board Conference Room

1. Call To Order  
The Committee Chair will call the meeting to order.
2. Presentation Of Audit Results For The June 30, 2016, Comprehensive Annual Financial Report And School Activity Funds

Documents:

[06-16 ACL - ROANOKE CITY PUBLIC SCHOOLS SAF - FINAL.PDF](#)  
[06-16 ML - ROANOKE CITY PUBLIC SCHOOLS SAF - FINAL.PDF](#)  
[06-16 RPT - ROANOKE CITY PUBLIC SCHOOLS SAF - FINAL.PDF](#)

3. Other Business  
The Committee Chair will ask members of the Committee and staff if they have any other business for discussion.
4. Adjournment  
The Committee Chair will adjourn the meeting.

**REQUIRED COMMUNICATION WITH  
THOSE CHARGED WITH GOVERNANCE**

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

We have audited 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. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 19, 2016. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Activity Funds are described in Note 1 to the financial statement. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Activity Funds during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

The financial statements are neutral, consistent, and clear.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We detected no misstatements as a result of our audit procedures.

***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Significant Audit Findings (Continued)**

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letters dated October 17, 2016. An example of such representations is attached.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Activity Funds’ financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Restriction on Use**

This information is intended solely for the use of Members of the School Board and management of the Roanoke City Public Schools School Activity Funds and is not intended to be, and should not be, used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
October 17, 2016

Attachment

October 17, 2016

Brown, Edwards & Company, L.L.P.  
Certified Public Accountants  
319 McClanahan Street, S.W.  
Roanoke, Virginia 24014-7705

This representation letter is provided in connection with your audit of the statement of cash receipts and expenditures of \_\_\_\_\_ school activity funds as of June 30, 2016 and for the year then ended and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statement presents fairly, in all material respects, the cash receipts and expenditures of the \_\_\_\_\_ School Activity Funds, in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 17, 2016, the following representations made to you during your audit.

**Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 19, 2016, including our responsibility for preparation and fair presentation of the financial statements in accordance with the basis of cash receipts and expenditures.
- 2) The financial statement referred to above is fairly presented in conformity with the basis of cash receipts and expenditures.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed.
- 6) Guarantees, whether written or oral, under which \_\_\_\_\_ is contingently liable, if any, have been properly recorded or disclosed.

**Information Provided**

- 7) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statement, such as records, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 8) All material transactions have been recorded in the accounting records and are reflected in the financial statement.
- 9) We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.
- 10) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 11) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 12) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 13) We have not consulted a lawyer concerning litigation, claims, assessments, or any other matters during the year ended June 30, 2016 and through the date of this letter.
- 14) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements, if any.
- 15) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

**Government – Specific**

- 16) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 17) We have a process to track the status of audit findings and recommendations.
- 18) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 19) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 20) We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

**Government – Specific (Continued)**

- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us. We have identified and disclosed to you all laws, regulations and provisions of contracts and agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 22) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 23) We have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 24) We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 25) The financial statements properly classify all funds and activities.

**School Activity Fund – Specific**

- 26) School activity funds are used solely in accordance with the purpose for which such funds are collected.
- 27) Projects for raising school activity funds contribute to the educational experience of pupils and do not conflict with the instruction program.
- 28) Funds derived from the student body as a whole are used to benefit the student body as a whole. Generally, school activity funds are spent in such a way as to benefit those pupils who are in school and who have contributed to the accumulation of such fund.
- 29) Student representation is encouraged in the management of funds raised by the student body and spent for its behalf, subject to faculty supervision.
- 30) School activity funds are managed in accordance with the best business practices, including sound budgetary and accounting procedures.
- 31) Student body business is conducted in such a manner as to offer maximum competition with commercial concerns.
- 32) The principal, through his or her representatives, participates in the preparation, modification, and interpretation of the policies, regulations, and procedures affecting student body affairs.
- 33) Disbursement and receipt ledgers are complete and include, as applicable, non-check disbursements (i.e. wire transfers or other electronic means of payment) and credit or debit card disbursements.

**Roanoke City Public Schools School Activity Fund – Specific**

- 34) The attached listing of checks appears to be valid expenditures of March for fiscal year 2016.
- 35) We understand that a key component of the internal control process concerning expenditures is the electronic approval of the purchase requisition by the principal. As such, and to ensure the integrity and effectiveness of this control, passwords used to sign on as the principal have not been shared between the principal and others.
- 36) If any events that could affect the financial statements and are outside of the ordinary course of business take place between now and the date our audit report is issued, we will immediately notify the Director of Accounting for Roanoke City Schools.

Signed:

\_\_\_\_\_  
Principal

Signed:

\_\_\_\_\_  
Secretary

October 17, 2016

Brown, Edwards & Company, L.L.P.  
Certified Public Accountants  
319 McClanahan Street, S.W.  
Roanoke, Virginia 24014-7705

This representation letter is provided in connection with your audit of the statement of cash receipts and expenditures of Roanoke City Public Schools School Activity Funds as of June 30, 2016 and for the year then ended and the related note to the financial statement for the purpose of expressing an opinion as to whether the financial statement presents fairly, in all material respects, the cash receipts and expenditures of the Roanoke City Public Schools School Activity Funds, in conformity with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 17, 2016, the following representations made to you during your audit.

### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 19, 2016, including our responsibility for preparation and fair presentation of the financial statements in accordance with the cash basis of accounting.
- 2) The financial statement referred to above is fairly presented in conformity with the cash basis of accounting.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed.

**Financial Statements (Continued)**

- 6) Guarantees, whether written or oral, under which Roanoke City Public Schools is contingently liable, if any, have been properly recorded or disclosed.
- 7) We have provided the planning communication letter to all members of those charged with governance as requested.

**Information Provided**

- 8) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statement, such as records, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 9) All material transactions have been recorded in the accounting records and are reflected in the financial statement.
- 10) We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.
- 11) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 12) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 13) We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 14) We have not consulted a lawyer concerning litigation, claims, assessments, or any other matters during the year ended June 30, 2016 and through the date of this letter.
- 15) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements, if any.
- 16) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

**Government – Specific**

- 17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 18) We have a process to track the status of audit findings and recommendations.

**Government – Specific (Continued)**

- 19) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 20) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 21) We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us. We have identified and disclosed to you all laws, regulations and provisions of contracts and agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 23) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 24) As part of your audit, you assisted with the preparation of the financial statement and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for the financial statement and notes.
- 25) We have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 26) We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 27) The financial statement properly classifies all funds and activities.

**School Activity Fund – Specific**

- 28) School activity funds are used solely in accordance with the purpose for which such funds are collected.
- 29) Projects for raising school activity funds contribute to the educational experience of pupils and do not conflict with the instruction program.
- 30) Funds derived from the student body as a whole are used to benefit the student body as a whole. Generally, school activity funds are spent in such a way as to benefit those pupils who are in school and who have contributed to the accumulation of such fund.
- 31) Student representation is encouraged in the management of funds raised by the student body and spent for its behalf, subject to faculty supervision.
- 32) School activity funds are managed in accordance with the best business practices, including sound budgetary and accounting procedures.

**School Activity Fund – Specific (Continued)**

- 33) Student body business is conducted in such a manner as to offer maximum competition with commercial concerns.
- 34) The principal, through his or her representatives, participates in the preparation, modification, and interpretation of the policies, regulations, and procedures affecting student body affairs.
- 35) Disbursement and receipt ledgers are complete and include, as applicable, non-check disbursements (i.e. wire transfers or other electronic means of payment) and credit or debit card disbursements.
- 36) We have made and posted all transfers and adjustments between the general fund and the school activity funds.
- 37) No communications have been made from the individual schools relating to the financial statements since the date their audit work was performed.

Signed:

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Dr. Rita D. Bishop  
Title: Superintendent

Signed:

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Kathleen Jackson  
Title: Chief Financial Officer

Signed:

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Donna Caldwell, CPA  
Title: Director of Accounting

**ROANOKE CITY PUBLIC SCHOOLS  
SCHOOL ACTIVITY FUNDS**

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

**June 30, 2016**

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## 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.

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*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.*

**ROANOKE CITY PUBLIC SCHOOLS**

**SCHOOL ACTIVITY FUNDS**

**FINANCIAL REPORT**

**June 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statement**

We have audited the accompanying 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, and the related note to the financial statement.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the basis of recorded cash receipts and expenditures described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

***Basis for Qualified Opinion***

As is common in organizations such as this, the Schools Activity Funds' internal accounting control was not adequate to permit the application of adequate auditing procedures to indicate whether all receipts were recorded.

***Qualified Opinion***

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statement referred to above presents fairly, in all material respects, the cash receipts and expenditures of the Roanoke City Public Schools School Activity Funds for the year ended June 30, 2016 in accordance with the basis of accounting described in Note 1.

***Basis of Accounting***

We draw your attention to Note 1 of the financial statement, which describes the basis of accounting. This financial statement was prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2016, on our consideration of the Roanoke City Public Schools School Activity Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Roanoke City Public Schools School Activity Funds' internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
October 17, 2016

**ROANOKE CITY PUBLIC SCHOOLS  
SCHOOL ACTIVITY FUNDS**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
Year Ended June 30, 2016**

	<u>Balance as of July 1, 2015</u>	<u>Inter-School Transfers</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance as of June 30, 2016</u>
<b>High Schools:</b>					
William Fleming High School	\$ 102,527	\$ (3,643)	\$ 262,036	\$ 248,649	\$ 112,271
Patrick Henry High School	256,529	631	234,498	285,574	206,084
<b>Other Schools:</b>					
Gibboney Technical Center	124,826	3,012	131,446	209,137	50,147
Roanoke Valley Governor's School	29,092	-	73,025	87,289	14,828
Noel C. Taylor Learning Academy	1,097	-	706	1,308	495
Forest Park Academy	2,688	-	6,952	7,589	2,051
Adult Education	64,162	-	11,104	13,651	61,615
<b>Middle Schools:</b>					
Lucy Addison Aerospace Middle School	6,559	-	37,928	40,880	3,607
James Breckinridge Middle School	5,033	-	42,799	39,844	7,988
Stonewall Jackson Middle School	437	-	14,984	13,889	1,532
James Madison Middle School	32,560	-	80,208	79,240	33,528
Woodrow Wilson Middle School	41,052	-	51,916	57,627	35,341
<b>Elementary Schools:</b>					
Crystal Spring Elementary School	39,740	-	36,415	39,497	36,658
Fairview Park Elementary School	8,920	-	25,229	26,448	7,701
Fallon Park Elementary School	10,700	-	5,762	5,520	10,942
Fishburn Park Elementary School	21,726	-	21,514	20,719	22,521
Garden City Elementary School	9,432	-	4,367	3,019	10,780
Grandin Court Elementary School	60,144	-	34,951	30,896	64,199
Highland Park Elementary School	16,248	-	36,744	31,568	21,424
Hurt Park Elementary School	6,765	-	6,682	9,722	3,725
Lincoln Terrace Elementary School	2,310	-	8,820	8,249	2,881
Monterey Elementary School	23,238	-	28,241	25,208	26,271
Morningside Elementary School	8,132	-	7,667	9,091	6,708
Preston Park Primary School	22,693	-	22,305	19,610	25,388
Roanoke Academy for Math and Science	29,190	-	9,682	11,515	27,357
Round Hill Primary School	4,104	-	13,438	14,234	3,308
Virginia Heights Elementary School	12,612	-	16,506	18,315	10,803
Wasena Elementary School	17,967	-	6,109	9,629	14,447
Westside Elementary School	16,197	-	24,674	29,650	11,221
	<u>\$ 976,680</u>	<u>\$ -</u>	<u>\$ 1,256,708</u>	<u>\$ 1,397,567</u>	<u>835,821</u>
Fiscal Services					871
Current Year Accounts Payable					<u>104,615</u>
Total Cash Balance at June 30, 2016					<u>\$ 941,307</u>

**ROANOKE CITY PUBLIC SCHOOLS  
SCHOOL ACTIVITY FUNDS**

**NOTE TO FINANCIAL STATEMENT  
June 30, 2016**

**Note 1. Nature of Activities and Significant Accounting Policies**

Reporting entity:

School activity funds are all funds received from extracurricular school activities, such as entertainment, athletic contests, club dues, etc., and from any and all activities of the Schools involving personnel, students, or property.

Basis of accounting:

The accounts are maintained, and the statements are presented, on a basis reflecting only recorded cash receipts and expenditures. Therefore, receivables, inventories, accrued revenues, and equipment and depreciation, which may be material in amount, are not reflected, and these statements are not intended to present the overall financial position or results of operations in conformity with generally accepted accounting principles.

Cash and cash equivalents:

For purposes of reporting cash, the Schools consider all certificates of deposit, savings accounts, and money market funds with an original maturity of three months or less to be cash equivalents.

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Transfers:

From time to time, due to school closings and reallocation of students, it is necessary to make transfers from one school to another. Other transfers between schools will occur due to students participating in extracurricular activities at other schools within Roanoke City. Such transfers are approved by the principal and are reflected at their gross amount in the accompanying financial statement.

**COMPLIANCE SECTION**

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the 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, the accompanying 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, and the related note to the financial statement and have issued our report thereon dated October 17, 2016. Our report on the financial statement is qualified due to the lack of adequate internal controls over the receipt function which prevents us from applying adequate audit procedures to indicate whether all receipts were recorded.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Activity Funds’ internal control over financial reporting (internal control) to determine the 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.

*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 a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first 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, we identified a deficiency in internal control over financial reporting, as described below, that we consider to be a material weakness.

In general, internal controls are designed to safeguard assets and help prevent losses from employee dishonesty or error. A fundamental concept of internal control is the separation of duties. The basic premise of this concept is that no one employee should have access to both collecting cash receipts and making cash disbursements, or to all phases of a transaction. Due to the limited size of the staff at the schools, a proper separation cannot be established and maintained for the cash receipts process.

## Internal Control over Financial Reporting (Continued)

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. This is a common situation among school activity funds and similar organizations.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Activity Funds' financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Roanoke City Public Schools School Activity Fund's Response to Findings

Roanoke City Public Schools School Activity Fund's responses to the findings identified in our audit are described below. The School Activity Fund's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Management Response:** *RCPS agrees that the decentralized nature of cash collections creates challenges for our internal control efforts as it relates to ensuring all cash receipts have been recorded. However, we will continue to train school administrative staff on our processes for cash collections, monitor those processes throughout the year, and quickly address any identified deficiencies, to maximize our effectiveness in this area.*

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Activity Funds' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Activity Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
October 17, 2016

**ROANOKE CITY PUBLIC SCHOOLS**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2016**

As more fully described in the Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

**STATE COMPLIANCE MATTERS**

*Code of Virginia*

Cash and Investment Laws

Procurement Laws

Uniform Disposition of Unclaimed Property Act