



## **RICHLAND ONE**

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### **Internal Audit**

Date: February 21, 2024

To: Internal Audit Internal File

Cc: N/A

From: Kelvin Washington, CIA

Subject: Memo to Explain Lack of Formal Distribution of 2023 Columbia High School Audit

The attached draft report (Audit of Student Activity Funds at Columbia High School for audit period July 2023 – October 2023) was not formally distributed due to ongoing request by previous board chair and Superintendent to not issue any written reports. However, the details of this audit were discussed with the Superintendent.

After the initial audit date of November 6, 2023 and the closing conference with the principal on November 10, 2023, Internal Audit found opportunities throughout December 2023 and January 2024, to informally discuss the results of this report with Financial Services, Security and the Athletic Director.

None of the meetings with the other administrators is formally documented, pursuant to Administration's request. Internal Audit eventually issued the draft report to the internal file.

#### Note

The attached draft report is issued to file as is. Because of the request for no formal distribution, there was no second reading/edit of the content by Internal Audit to ensure absence of typos.

## **I. SCOPE**

Internal Audit performed an operational review of Student Activity Funds at Columbia High School for audit period July 2023 – October 2023. The overall audit objective included review of internal controls to ensure:

- Compliance with student activity fund policies, procedures and administrative rules
- Achievement of established objectives and goals of student activity fund programs
- Reliability and integrity of student activity fund accounting and reporting
- Economical, efficient and effective use of student activity fund revenues
- Safeguarding of receipts and other assets generated from student activity events

Specific audit areas included review of:

- School fundraiser activities to determine proper administration and accounting
- Purchases to validate proper authorization and propriety of disbursements
- Fee admission events to validate accurate and timely deposit of receipts
- Canteen operations to determine proper accounting and compliance with regulations
- Parental organizations to determine if operating within District guidelines/MOA
- Outside rental of school facilities to determine if done in accordance with District policy

## **II. BACKGROUND**

Pursuant to Policy DK and supporting Administrative Rule DK-R Accounting for Non-Appropriated Funds, Financial Services developed the Student Activities Procedures Manual to provide detailed procedures for administering student activity funds. The manual states that the responsibility for safeguarding, accounting for and managing these funds is assigned to the school's principal.

## **III. SUCCESSES**

The school is still transitioning from the previous principal to the current principal and to a new bookkeeper. Although a formal close-out and transition process related to student activity funds was not conducted by Financial Services, the current principal is well-versed in student activity fund procedures and has been proactive in establishing measures to ensure effective and efficient operations. Overall, there are good internal controls over student activity funds. However, some minor concerns and opportunities to improve are outlined below to facilitate continuous improvement:

## **IV. OPPORTUNITIES TO IMPROVE**

### **A. General Review of Fundraising Activity**

### **Criteria/Standard**

In accordance with Student Activity Procedures Manual Section M, page 20 all fundraising projects should be initiated by a teacher/sponsor and be approved by the principal using Form 800-10A prior to conducting the fundraiser. This approved form is then submitted to the bookkeeper and a receipt book is assigned to the sponsor.

Once the fundraiser is completed the 800-10B Summary of Fundraising Activity must be processed by the sponsor and reviewed/approved by the principal, and submitted to the bookkeeper along with the receipt book. Per Section F, pages 5 – 8, all monies received shall be receipted by the teacher/sponsor using pre-numbered receipts from the assigned receipt book, and given to the bookkeeper daily, without exception.

Only the individual who signs for the receipt book on form 800-5 shall receipt funds in the receipt book issued. No other person is allowed to use this receipt book. In addition, the receipt book log and all receipt books should be controlled by the bookkeeper when not in use.

### **Statement of Condition**

- Internal Audit review noted that receipt books were primarily issued for collection and receipting of fees and to account for athletic fee events, with no other relevant fundraising activities by student organizations. All receipt books were accounted for and reconciled to the bookkeeper's log during the audit period.
- Although there are no issues with the functionality, structure and administrative set-up by the bookkeeper to account for future fundraising activities, there is a minor concern regarding the overall lack of fundraisers by the school to support student organizations.

### **Cause of Condition**

Per discussions with staff, there are challenges in getting commitments from teachers/sponsors and students for fundraisers. There are concerns with low morale, and there is a heavy reliance on funds from canteen operations as the primary source for supporting athletics and other student organizations (see section IV.D on page 5).

### **Potential Impact of Condition**

Student organizations that do not have fundraising activity dedicated to, or earmarked for their specific group may not have sufficient funding to support their program(s), which inhibits their ability to operate. In addition, students may miss out on valuable life skills fundraising affords, like goal setting, teamwork, planning, accountability, etc.

### **Opportunities to Improve**

The principal has already initiated efforts to remove obstacles and improve school morale and team building. As those measures are being deployed, the school should also consider the following:

1. Increase efforts to partner with parental organizations, faith based organizations and other community groups. (see separate reporting at section IV.E on page 8)
2. Having a dedicated school administrator assigned the additional responsibility of coordinating fundraising efforts
3. Reach out to former Columbia High students in the community, especially those in the professional arena and those employed with the District.

**Response Requested – Principal**

**Response Requested – Executive Director**

**B. Review of Disbursements**

**Criteria/Standard**

Student Activity Procedures manual section I, states that checks written shall be supported by a prior approved requisition (form 800-8, part1), an invoice and/or statement from the vendor and a request for payment (form 800-8, part 2) signed by the principal. Section I of the manual also states that checks written in the amount of \$1,500 or more to a given vendor must be signed by the principal, or his/her designee and the CFO.

**Summary**

No issues were noted during the review, as the bookkeeper maintains a more than adequate filing system for vendor records and supporting information. Also, sample review of disbursements noted appropriate use of authorization forms and all transactions were properly accounted for. Further review of this area was not warranted.

**C. Athletic Event Game Receipts**

**Criteria/Standard/Background**

Current practice throughout the District is to use HomeTown ticketing, which is a platform that sells tickets online for school events via a digital box office. It allows purchases for events directly without having to staff ticket windows or handling cash. According to the District's Athletic Director, all high schools use this platform. The bookkeeper accounts for receipts via the receipt book once statements are received from HomeTown.

### **Statement of Condition**

This adopted practice for accounting for athletic game event receipts is not documented, and represents a departure from written procedures in the Student Activity Procedures Manual maintained and distributed by Financial Services. Consequently, current written procedures outlining the process for administering and accounting for athletic event revenue have not been updated to align with the current adopted district-wide practice of utilizing the HomeTown platform.

### **Cause of Condition**

Based on discussions with staff and Internal Audit observations, it appears that the outdated written procedures was caused by incomplete communication between the Athletic Department and Financial Services and failure to monitor procedural changes.

### **Potential Impact of Condition**

The HomeTown platform is a more efficient process that enhances controls and substantially mitigates the risk of errors and misappropriated funds. To not have written procedures aligned with the current practice in place may lead to confusion and inconsistency, especially as personnel turns over.

Also, controls are weakened which increases the risk of improper accounting of athletic event funds. Improper handling of funds was evident in past audits, precipitating the eventual change to the HomeTown platform.

### **Recommendations/Opportunity to Improve**

Using the HomeTown platform allows for consistency throughout the Districts' schools and establishes more effective controls over the ticketing and receipting process which facilitates accounting of all revenue. Although no irregularities were found in review of Columbia High School's accounting for athletic game event receipts during the period under review, the current format should be codified into the written procedures to ensure consistency and overall compliance.

The following opportunities should be considered:

- Update written procedures to align with current practice in the District
- Distribute revised procedures to all appropriate schools/parties
- Reinforce via the annual workshop(s)/principal meeting/coaches convocation
- Periodically monitor to ensure ongoing consistency throughout the District

## Response Requested – Financial Services

## Response Requested – Athletic Department

### Addendum

Subsequent to the writing of this draft report, Internal Audit became aware of pending legislation in the South Carolina State House. H 3694 General Bill is a proposal to amend SC Code of Laws by adding Article 17 to Chapter 1 of Title 1 so as to provide that any establishment that holds a retail license to do business in this state must accept cash payments for transactions.

Even with the uncertainty regarding whether or not the proposed bill applies to schools, some schools have started to accept cash payments at the door in anticipation of this bill becoming law. The controls in the HomeTown platform mitigated the risk of improprieties, but returning to accepting cash payments compromises that control. Internal Audit advises Financial Services and the Athletic Department to consult with general counsel re: applicability of the pending law.

### **D. Review of School Canteen Operations**

#### **Standard/Criteria/Background**

- Policy ADF District Wellness establishes the board's vision and the basic structure to support the health and well-being of students. Smart Snacks in Schools, Dietary Guidelines and other District initiatives have been established to support this policy. Also, the United States Department of Agriculture (USDA) and the South Carolina Department of Education periodically perform on-site reviews to assess compliance with nutrition regulations.
- Per the Student Activity Procedures Manual, a canteen manager who is independent of the bookkeeper, shall be designated by the principal to have full responsibility for canteen operations. The canteen manager shall have sole access to canteen funds until they are submitted to the bookkeeper for daily verification of funds collected and deposited. The principal or his/her designee shall have the responsibility of reviewing canteen revenues and expenditures and other canteen activity for reasonableness.

#### **Statement of Conditions**

1. During review of student activity funds and canteen purchase receipts, Internal Audit noted non-compliance with government regulations and district guidelines regarding healthy nutrition. Specifically, candy, sugary drinks, pizza, fried chicken sandwiches, etc., were being sold daily in the school's canteen.

2. Prior to commencement of this audit, a tip was brought to Internal Audit's attention, alleging use of cash app by the previous canteen manager as a means of collecting canteen receipts. Internal Audit conversations with the current principal and bookkeeper verified the allegation. Using cash app is a procedural violation. The previous canteen manager also failed to utilize any of the required forms for canteen operations. The principal shut down canteen operations and commenced review with assistance from the bookkeeper.

### **Cause(s) of Condition**

1. Regarding healthy food provisions, lack of enforcement over time has led to an environment of non-compliance. Also, convenience and the desire to appease student demands and raise funds for athletic programs led to procedural violations.
2. Based on discussions with the bookkeeper and the principal, no one at the school (including the previous canteen manager) was aware of the Non-Appropriated Canteen Procedures Manual (issued July 2000) nor the required accounting/administrative forms for canteen operations. Additional Internal Audit research also confirmed the following:
  - Financial Services has not updated and distributed the canteen procedures manual since calendar year 2000
  - Canteen procedures have not been covered in the annual Financial Services student activity fund workshop in a number of years
  - Internal Audit was unable to verify that a formal close-out and transition was performed when the Columbia High School changed principals.

### **Potential Impact of Condition**

1. SCDE is responsible for administering USDA's school food programs in South Carolina, and conducts Administrative Reviews every three years. Internal Audit research reveals that SCDE will occasionally enforce findings and apply some type of sanction, but the potential financial, legal or regulatory impact of a penalty is not significant. However, a greater potential impact involves adverse public relations and poor nutrition effecting student learning. Unhealthy eating habits directly correlate with obesity and the overall learning environment.
2. Not having updated procedures in place, or not following procedures that may be in place compromises internal controls and increases the risk of lost revenue, and may inhibit the school's ability to financially support student organizations and programs.

### **Opportunities to Improve**

Internal Audit's audit of the quality review work performed by the principal and the bookkeeper established, with reasonable assurance that the funds were properly accounted for in spite of the procedural improprieties. The canteen manager used the cash app platform for convenience and was not aware of all procedural requirements. However, there is no indication of missing receipts or intentional or unintentional misappropriation of funds. Initiatives undertaken by the principal prior to the audit included:

- Canteen has been closed until completion of the audit
- The bookkeeper was assigned to complete a quality review of canteen operations
- All canteen operation forms have been completed and reconciled to the receipt book
- All monies have been accounted for and receipted to the bookkeeper

Notwithstanding the previous initiatives, the following opportunities to improve the overall process should also be considered:

1. Establish protocol within the school that ensures compliance with district procedures and government regulations regarding healthy food guidelines and sound canteen operations, with appropriate accountability.

**Response Requested – Principal:**

2. With the priority remaining on compliance, school administration should also strike a balance between making money from the canteen to support student programs and fostering a healthy nutritional environment for the students.

**Response Requested – Principal:**

3. These issues have been a repeat finding/recurring item throughout the District over the past few years. Central Administration should develop an overall strategy to ensure school-level compliance and accountability. Past audits reveal indifference amongst some principals regarding compliance, primarily due to primary focus being on academia.

**Response Requested – Executive Director:**

4. Financial Services should update and distribute the Canteen Operations Manual, or at minimum, provide more details regarding canteen operations in the Student Activity Procedures Manual. Also, document and perform formal close-out and transition procedures when a school transitions to a new principal.

**Response Requested – Financial Services**



**E. Review of Parent Organizations – Booster Clubs, Foundations, etc.**

**Standard/Criteria/Background**

Policy DIBA and Administrative Ruling DIBA-R govern the activities of PTO/PTA, booster clubs, school foundations, etc. In support of this policy and administrative rule, the District enacted specific guidelines for operating these parental organizations. That document enumerated specific rules and administrative responsibilities for organizations that wanted to associate/partner with the schools.

Previous student activity fund audits noted significant non-compliance with these guidelines throughout the District, although there were ongoing questions regarding the authority to enforce these guidelines since the organizations are separate, autonomous entities with their own governing bodies. The primary audit recommendation was to establish directives that fostered better compliance and accountability.

A major concern noted in prior years was the risk of legal, financial and public relations issues the District would encounter if a parental organization engaged in nefarious activities caused by non-compliance with established guidelines. Some specific concerns noted in past audits included:

- Parental organizations were not seeking and securing the advice and approval of the principal prior to engaging in any fundraising activity on the school's behalf
- School personnel (teachers, coaches, etc.) wish lists were going to the parental organization without prior discussion and approval from the principal
- Parental organizations were not establishing sound internal controls over collecting, securing, depositing and disbursing funds
- The principal was not receiving a copy of the organization's quarterly and annual financial reports
- Even with parental organizations and booster clubs using the school name, facilities and resources, monies were not being contributed back to the school

These concerns continued to manifest, so a subsequent audit recommendation was to add a required Memorandum of Agreement (MOA) to the written guidelines/administrative rules. The MOA could serve as an enforceable contract that encompasses the guidelines already in place, and establishes more accountability and transparency. Eventually, the Administration added the MOA requirement to the guidelines, requiring an MOA to be signed every two to four years by the parental organizations (staggered by cluster).

**Statement of Conditions**

According to the principal, there is no official parental organization currently operating at Columbia High School. A quick check at the South Carolina Secretary of State's Office found no registered entity.

### **Cause of Condition**

The principal states inheriting an adverse culture is contributing to the condition. Also, the transition process from previous principal to new was inadequate. The students and the community are not as engaged as they can be.

### **Potential Impact of Condition**

Not having functioning, compliant parental organizations/booster clubs in place denies the school the opportunity to forge community partnerships that would help fundraising and program efforts, which enriches the educational experience.

### **Opportunities to Improve**

The current principal at Columbia High School has already established some initiatives to engage parental organizations/booster clubs, and to foster greater compliance with District guidelines. Going forward, the following should also be considered:

1. The foremost objective at any school is academic achievement. However, the principal is the Chief Executive Officer of the school who is ultimately responsible for all school operations. Accordingly, the principal could appropriately delegate some responsibility to other school administrators to ensure proper management oversight in meeting other school objectives – like developing community relations and engaging parental organizations/booster clubs.
2. Establish specific protocols to ensure compliance with District guidelines and securing the MOA
3. Reach out to Columbia High School alumni who are currently working in the District and/or are leaders in the community.

### **Response Requested – Principal:**

### **Response Requested – Executive Director**

## **F. General Audit Observation – Lack of Trained Back-up Bookkeeper**

### **Criteria/Standard**

Section B.3 on page 1 of the Student Activity Procedures Manual states that the principal is responsible for ensuring a backup bookkeeper is trained, in the absence of the bookkeeper, to perform the duties of receipting funds, making deposits and writing checks. Section B.5 states that Financial Services is responsible for monitoring bookkeeping functions and ensuring guidelines and procedures are followed.

**Statement of Condition**

Columbia High School does not have a functioning backup bookkeeper.

**Cause of Condition**

The principal was not aware of the requirement. Also, there is no indication of proper monitoring by Financial Services.

**Potential Impact of the Condition**

There was no significant absence of the bookkeeper noted in the current fiscal year to this point. However, lack of a trained backup is a procedural violation that may cause improper administration and accounting of receipts and disbursements in the event of a future absence.

**Opportunities to Improve**

1. The principal should identify and ensure training of a back-up bookkeeper.

**Response Requested – Principal**

2. Financial Services should increase oversight (Quality Assurance) to ensure that all schools have a trained back-up bookkeeper and to verify compliance with procedures. Financial Services should also identify the responsible staff person/manager and establish accountability.

**Response Requested – Financial Services**

**G. General Audit Observation – Metal Detectors/Security at Columbia High**

**Criteria/Standard**

Internal Audit was unable to obtain a procedures manual, or other document that speaks to the use of metal detectors at school. Absent availability of published procedures regarding use of metal detectors, the standard for this limited review is based on industry standards for identifying and reporting incidents involving metal detectors.

**Statement of Condition(s)**

- On Internal Audit’s initial audit visit to Columbia High on Monday, November 6, 2023 at 10:00 a.m., the metal detector went off. It was probably due to the laptop or keys, but the district security person on duty did not stop to look in the laptop bag or ask questions. A few minutes later a student with a book bag also caused the metal detector alarm to sound. Again, the security person did nothing.

- On a follow-up visit to the school at 11:00 on Friday, November 10, 2023, Internal Audit came through the metal detector and the alarm went off. There was no security person present. The secretary on duty said that she was off today, and there was no substitute security person. The secretary allowed me in based on my District badge.
- On both occasions Internal Audit alerted the principal. During those discussions it was also noted that the SRO's office is in close proximity to the entrance where the metal detector is located. However, according to administrators, the officer's door is usually closed and no one knows if they are present.
- The principal's frustration is evident as she mentioned that she has conveyed concerns to the Administration before. She also mentioned that she had to break up a fight recently and was frustrated by how long it took the SRO to respond to the scene.

### **Cause of Conditions**

Internal Audit did not process a formal inquiry to Security, but verbally conveyed the concerns/conditions bulleted above to Security upon meeting them at subsequent board meetings. There was no formal discussion to establish a cause of the conditions. Based on audit observations and the factual conditions present, audit judgment suggests there are some deficiencies in management of security operations.

### **Potential Impact of Conditions**

The risk of harm to the students, principal and staff is self-evident.

### **Opportunities to Improve**

None presented due to lack of formal presentation (see separate document re: distribution of report).

## **V. GENERAL**

## **VI. CONCLUSION**

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Kelvin L. Washington, CIA  
Internal Auditor  
Richland County School District One  
Board of Commissioners