



MUNICIPAL AUDITING REPORT

**ROANOKE CITY PUBLIC
SCHOOLS**

ATHLETICS

Report Number: 09004

Audit Plan Number: 08807

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October 30, 2008

Members of the Roanoke City School Board Audit Committee:

Ms. Suzanne Moore

Mr. Courtney Penn

We have completed the audit of the Roanoke City Public School's athletics function as requested by the School Administration and approved by the Roanoke City School Board Audit Committee. The scope of our audit was limited to preparing a pro-forma Statement of Changes in Fiduciary Assets and Liabilities for the fiscal year ending June 30, 2007, and evaluating the design and operation of certain processes related to athletics in place as of January 31, 2008.

The planning for this audit was completed in early February 2008 and preliminary drafts of the financial statements for the athletics fund were provided to the School Administration in March. The audit was suspended in mid-March due to the need to reassign staff to certain urgent special projects. Field work was undertaken again in May but encountered various delays due to other pressing work associated with the end of the fiscal year. Much of the content of this report has been conveyed to the School Administration through regular monthly meetings. Our work in the athletics area allowed us to provide useful input into the proper setup of the athletic fund in the accounting system, the reorganization of the athletics department, and budgeting for fiscal year 2009.

I want to thank the Members of the Audit Committee and School Administration for the cooperation and assistance provided over the course of our audit. I would be happy to answer any questions you may have about this report.

Sincerely,

Drew Harmon, CPA, CIA
Municipal Auditor

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SCOPE AND OBJECTIVES

The scope of the audit included revenue and expenditure transactions occurring from July 1, 2006, through June 30, 2007, and account balances as of June 30, 2007. We reviewed processes and procedures surrounding athletics in place at January 31, 2008.

Policies and procedures related to Title IX and Virginia High School League compliance were not reviewed due to the complexity of the regulations. It was determined that no Roanoke City Public Schools representatives attended the required Title IX annual training during FY07. Disbursements for Early Retirement Opportunity Program payments for hours worked related to Athletics were also not included.

The objectives of the audit were as follows:

1. To prepare a pro-form Statement of Changes in Fiduciary Assets and Liabilities for the athletics function for the 12 months ending June 30, 2007.
2. To evaluate the design and operation of processes in the athletics area that address:
 - Budgeting and Planning
 - Accounting
 - Compliance with certain laws and regulations

BACKGROUND

In fiscal year 2007, the Roanoke City Public Schools athletics program consisted of middle school and high school athletics. Programs at the elementary level were either considered physical education or were programs independent of the school system. The Director of Athletics position was established in 2006 without clear objectives or a formal job description. In addition to the Director of Athletics, one part-time employee was assigned to deliver equipment to schools and to represent the Athletics Office at various games and practices. Administrative support was provided by staff from other departments based on their availability.

The Director of Athletics was responsible for overseeing middle school athletics programs, served as the school division’s designated Title IX representative, and was responsible for managing compliance with Virginia High School League (VHSL) rules. He worked with the high school Athletic Directors as needed to address equipment restoration needs, security services for games, and other miscellaneous funding needs. The Director also assisted the high schools in searching for coaches and athletic directors when requested.

During fiscal year 2006-07, the middle school athletics budget and physical education budget were combined in one cost center (30-062-6107), complicating budget management. In fiscal year 2007-08, this issue was addressed by creating a separate cost center for the Director of Athletics (30-060-6107). Purchases from this account required approval from the Assistant Superintendent for Teaching and Learning.

There are four sports seasons: Fall, Winter 1, Winter 2, and Spring. Tennis is an intramural, co-ed activity and the season is determined by individual schools.

Athletic programs offered at each high school in fiscal 2007 were as follows:

	PH	WF
Football	√	√
Basketball - Boys	√	√
Basketball - Girls	√	√
Baseball	√	√
Softball	√	√
Track - indoor	√	√
Track - outdoor	√	√
Cross Country	√	√
Soccer - Boys	√	√

Soccer - Girls	√	X
Tennis - Boys	√	√
Tennis - Girls	√	√
Swimming - Girls	√	Swimming - no gender designated
Swimming - Boys	√	
Lacrosse - Girls	√	X
Lacrosse - Boys	√	X
Golf	√	√
Volleyball	√	√
Wrestling	√	√
Cheerleading	√	√

At the middle school level, there were team championships in all interscholastic sports. Awards for these competitions consisted of a championship trophy for the winning team and first place medals for each member of the team.

High school athletic programs were administered by the Athletic Director and Principal at each of the high schools. Athletic expenditures and revenues were accounted for as student activity funds using the Manatee Accounting System. The high school athletics programs required supplemental funding in the form of an allotment from the School Board in order to cover basic expenses for transportation and equipment. This allocation was deposited in each school's account and also administered through the Manatee system as student funds.

Coaching staffs were required to be employees of the school division and were paid salary supplements through the division's general fund budget. Game workers such as ticket-takers, timekeepers, and scorekeepers were not required to be employees and were paid a per-game fee funded by each school through their activity fund accounts. In some cases, retired employees were allowed to work games as part of their commitment under the early retirement opportunity program.

Athletics booster clubs have been established at both high schools. The William Fleming booster club is comprised of a small group of members who provide meals for athletes prior to games. The Patrick Henry boosters club is essentially a conglomeration of individual booster clubs that have formed around specific sports teams. These clubs appear to generate income from dues, fundraisers, concessions sales, logo merchandise sales, and sponsorships on its Web site. The Web site can be found at www.PHPatriotSports.org and includes game schedules and scores. The PH booster club works with the PH Athletic Director to identify needs.

Roanoke City Public Schools is a member of the Virginia High School League [VHSL], which seeks to encourage student participation in a broad range of interscholastic activities. Membership is voluntary and members are required to comply with VHSL policies as published in its handbook and policy manual. The VHSL is comprised of three operating divisions: district level, regional level and state level. Roanoke City Public Schools belongs to the Western Valley District/Northwest Region. Currently, Patrick Henry serves as the Treasurer for the Western Valley District. All funds held in district and regional accounts are the legal property of the VHSL.

There are currently two capital projects related to athletics – Patrick Henry High School Football Stadium (31-065-6072) and William Fleming High School Football Stadium (31-065-6073). Both of these accounts are reported in the City of Roanoke’s financial statements and once the projects are closed, the assets will reside with the City. The operating and maintenance costs for these stadiums are the responsibility of the school division.

METHODOLOGY

We utilized the following methodology to complete this audit:

- Interviewed the Director of Athletics, Principals, Athletic Directors, Bookkeepers, Transportation Director, Maintenance Director, Accounting Supervisor, Payroll Coordinator, Director of Capital Fund, Student Activities Fund, and High School Financial Control, and various other personnel associated with athletics.
- Obtained information from Virginia Board of Education on Title IX training attendance to assure Roanoke City Public Schools compliance with State code.
- To the extent possible, researched relationships with school booster clubs.
- Identified all athletic-related expenditures in both the Advantage Financial System and the Manatee Accounting System, and reviewed 100% of the checks issued in order to properly classify expenditures by type and sport.
- Identified all athletic-related revenues in both the Advantage Financial System and Manatee Accounting System, and reviewed 100% of the associated remittances in order to properly classify each by revenue source.
- Researched generally accepted accounting principals to determine appropriate setup for the athletics fund and proper presentation of revenues, expenditures, assets, liabilities, and fund balance for athletics programs.
- Reviewed game schedules for all four seasons and traced those games expected to generate gate revenues back to a deposit and report of ticket sales.
- Agreed ticket sales revenues to ticket inventories.
- Compared admissions tax remittances to reported ticket sales.
- Tested the completeness and accuracy of fixed asset records by physically locating a sample of listed assets.

- Reviewed all supplementary and extra duty payroll transactions to identify all personal services exclusively dedicated to athletics activities.
- Verified that coaching supplements tied to the personnel list approved by the Board and the applicable payroll registers for deductions and other earnings [DOE registers].
- Verified that game workers paid from school activity funds were not school employees.
- Evaluated the reasonableness of expenditures for game security services and verified the accuracy of payments.
- Verified that backup for meal disbursements included original student signatures and that meal reimbursement calculations were correct.
- Reviewed expenditures totaling \$83,311 paid from athletics funds to three vendors; evaluated reasonableness and compliance with Division purchasing policies.
- Determined whether school personnel obtained W-9 Forms from vendors and reported 1099 information accurately to the Internal Revenue Service.

OBSERVATION 1

Organizational Structure

There was not a comprehensively developed management structure for the school division's athletics function. The Director of Athletics had no direct authority over the Athletic Directors or coaching staffs at the high schools. The Director of Athletics also had no formal authority over budget development, staffing, spending, donor and sponsorship development, or strategic goals of the high school athletics programs. This structure, without one person who has oversight responsibility for the program as a whole, leads to poor communication, lack of policy development, procedural inefficiencies, and confusion. It also leaves RCPS without a single point of contact for outside organizations and parents who may need to discuss athletic-related issues.

The Director of Athletics position was created in 2006 and a job description did not exist at the time of the audit [January 2008]. A well-developed job description is a communication tool that is significant in establishing quality internal controls by setting clear expectations of an employee. This lack of job description creates confusion, a lack of motivation, and inefficiency in job processes.

OBSERVATION 2

Budgeting:

I. Budget Development: Annually, the Athletic Directors at each high school prepared a recommended budget based on projected revenues for the upcoming year. The primary revenues taken into consideration were the allocation from the School Board and gate receipts. Revenue estimates were based on current year collections. Travel costs accounted for the largest portion of expenditures and estimates were based on the upcoming year's game schedule. The Athletic Directors submitted their proposed budgets to the central office but did not receive any formal feedback or explanation of the final athletics allotment allocation. Salary supplements for coaches and game security costs were budgeted and administered through the central office. There were no formal policies pertaining to setting up and monitoring of athletic budgets. The entire process was disjointed with poor communication between central services and schools regarding revenue and expenditure projections.

II. Budget Monitoring: School-based athletics staff had no formal budget development and monitoring processes in place for fiscal 2007 or fiscal 2008. Athletic Directors used their hand written notes and balances reported from the Manatee Accounting system to manage spending. Reports from the Manatee system only provided data on accumulated revenues and expenditures by sport, with no detail showing sources of revenues or how funds were utilized.

III. Capital Budgeting: There was no formal capital budgeting program in place to address future equipment and uniform replacement needs. Planning for capital expenditures was primarily based on immediate needs and available operating revenues.

OBSERVATION 3

Policies and Procedures

Written policies and procedures are a crucial element in establishing an effective system of internal controls. They provide employees with clear direction that improves performance and accountability, helping to ensure activities are performed consistently and in accordance with management's expectations.

We noted that the athletics program did not have a complete, comprehensive set of policies and procedures related to school athletics. A handbook for middle school athletics was available and covered student eligibility, coaches' responsibilities, regulations over practice, how students were to be transported, awards, team sizes and seasons. This handbook has not been revised since 2005 and does not reflect the organizational changes adopted since that time.

There were other publications, such as student handbooks, that addressed elements of the requirements for high school athletics. Overall, documentation was piecemeal and did not address internal operations associated with administering the division's athletics program as a whole. There was no one document that set out the athletic program's mission, goals, measures of success, organizational structure, or regulatory environment.

One example of a regulatory requirement that we noted was the covenants attached to the zoning for the Patrick Henry High School stadium. The covenants specify the events that may be held in the stadium, the days of the week and times of day the stadium can be used, specific limits on the use of lights and loud speakers, traffic control and more. These covenants were not formally documented within the athletics department and no specific protocol for maintaining compliance was noted. Another example of an important regulatory area was Title IX of the Education Amendments of 1972 to the Civil Rights Act of 1964. This Act establishes specific expectations related to ensuring parity in athletic opportunities for women and men. We observed that the Athletics department has not developed or documented formal processes for monitoring compliance or accomplishing the goals of the Act.

OBSERVATION 4

Athletics Booster Clubs

William Fleming and Patrick Henry High Schools have formally designated athletic booster clubs. The clubs are governed by the parents and are independent of the school division. The booster clubs establish and maintain their governing rules, financial controls, and budgetary planning. There are no formal agreements between the school division and the booster clubs; there are no policies that address how coaches and students may interact with booster clubs. Booster clubs provide financial and non-monetary support to the athletics programs, interact with staff and student athletes, operate concessions at games, sell season passes, and are generally viewed as a related entity of the school system.

The William Fleming Booster Club has a page on the William Fleming Web site which provides information such as meeting dates and times, a link to the membership application, and a list of officers. The Booster Club primarily provides pre-game meals for student athletes and other types of non-monetary support.

The Patrick Henry Boosters club has a "Sports Zone" page on the Patrick Henry Web site which provides basic eligibility information and recognitions. This page includes a link to the club's Web site www.PHPatriotSports.org. This Web site has a page for each sport with coach and team rosters, schedules, and scores for each game. It also provides articles and links of interest related to individual sports, as well as a "News

from the AD” page and “Sponsors Page.” The site indicates that it is a copyright of Patrick Henry High School and lists the boosters contact address as the school address. The Web site was professionally designed and appears to be updated at least weekly with game results and schedule changes.

OBSERVATION 5

Fixed Assets

Capital assets are defined as assets with a useful life greater than one year and which have a historical cost greater than \$500. No annual fixed asset inventory of athletic capital assets has traditionally been performed. Per Government Finance Officer’s Association Recommended Practices, “It is essential that governments establish and maintain appropriate inventory systems for their tangible capital assets. Such systems are needed to protect tangible capital assets from the danger of loss or misuse.”

Test work revealed a number of issues related to the physical custody of athletic assets. The following items were noted:

- 22 out of 58 assets selected from the fixed asset inventory listing could not be located.
- Assets were identified which were not recorded on the fixed asset inventory.
- Bar code labels were not affixed on all assets.
- Bar code numbers for some assets were incorrect.
- Incorrect locations were listed for a number of assets on the inventory listing.
- The inventory listing reported retired assets as being in service.

These issues appear to be the result of a variety of factors including old data being recorded in the inventory system, the purchase of capital assets delivered directly to the school without notification to the warehouse, unreported donations of fixed assets, and no provisions for an annual capital asset inventory.

OBSERVATION 6

Activity Fund Accounting

I. Admissions Tax: Per City of Roanoke Code Sections 32-216 and 217, when an event for entertainment takes place in the City and an admission charge is made (including charges for exhibitions, dances, baseball, basketball, or football games, wrestling matches, or sports of any kind), a tax of 5.5% on the amount paid is levied. Admissions tax also applies to season ticket sales. We noted that both high schools underreported admissions taxes during fiscal 2007. Based on our test work, we concluded the amount of the underpayment was not material to the overall athletics financial statements.

II. Remittance Forms: During test work, a number of issues were noted with the preparation of remittance forms associated with athletic revenues. In some cases, the information recorded on the remittance forms and the supporting documentation was inadequate to determine the source of the revenue [donation, fund-raiser, or collection of a student fee]. The information missing from remittance forms included the Manatee account numbers to be credited, the sources of the revenues, the sports team generating the money, and the name of the person remitting the money. The absence of such basic information increases the risk that revenue will not be properly deposited and will not be credited to the appropriate account. It also limits the school division's understanding of the various revenue streams for athletics.

We audited gate revenues by comparing the reports of ticket sales to associated deposits. We noted that 15 of 73 reports of ticket sales tested did not agree to the associated deposit. Supporting documents associated with gate receipts and concession collections were also missing required signatures, indicating that controls such as having a second person confirm cash counts were not being performed.

III. Funds Transfers: Per the Virginia Department of Education School Activity Fund Guidelines, "School activity funds shall be used solely in accordance with the purpose for which such funds are collected." We noted that funds were transferred between the activity fund accounts of some sports without approval from the sport sponsor/coach. This creates additional risk that money donated or raised for a given sports

team may be misappropriated and not available for necessary expenses of the team which originally generated the receipts.

OBSERVATION 7

Vendor Management

I. 1099 Reporting: The school division utilizes individuals and businesses to perform certain trades and services for the division. According to federal tax law, if the value of such trades and services accumulates to greater than \$600 in a calendar year, the school division must file form 1099 with the Internal Revenue Service [IRS] by February 28th of the following year. The school division must also issue a copy of the 1099 to the individual person or business by January 31.

In the course of reviewing all athletics expenditures by school, we noted that the amounts reported to the IRS differed from the actual amounts paid to vendors. We communicated this information to the Accounting department when we first noted the problem. Accounting reviewed the records and issued revised 1099s. Given the changeover to the AptaFund system, we decided to forgo additional audit work in the area at this time.

II. W-9 Reporting: The school division uses IRS form W-9 to request vendor information necessary to properly file 1099s with the IRS.

The Manual on the System of Accounting for Roanoke City Public School Activity Funds states the following: "To aid in the school obtaining the necessary tax information, the Substitute Form W-9, Request for Taxpayer Identification Number(s) and Certification must be sent to each vendor other than those identified... as one time vendors."

School personnel were unable to provide our staff with W-9's for the majority of 1099 reportable vendors. It was apparent that many employees at the individual schools were not familiar with IRS requirements or aware of the significance of proper 1099 reporting.

III. Employee Payments: During fiscal year 2007, we noted three (3) out of 17 individuals paid through school activity funds for work related to athletic events were

school employees. Division policy requires employees to be paid through the payroll system for extra duty and supplemental work. This helps ensure required tax deductions are withheld and income tax information filed with the Internal Revenue Service is accurate.

OBSERVATION 8

Transportation

The Roanoke City Public Schools Transportation department provides services to athletic programs for all middle and high school students. This includes transporting athletes from school to practice and from practice to home. The Transportation department billed individual schools at a rate of \$13.75 per hour (2 hour minimum) to cover labor costs and \$1.10 per mile (25 mile minimum) to cover bus wear and tear. The high schools paid these invoices through the Manatee accounting system using the student activity accounts for athletics. Transportation costs for middle school athletes were funded through the school division's general fund.

The internal billing process for transportation services was inefficient and vulnerable to error. Processing these costs through the Manatee accounts at each school consumed resources to generate invoices, purchase orders, checks, remittances, and deposits on a case-by-case basis. Also, the Manatee accounting system setup did not provide the capability of accounting for operational expenses by line item. This prevented using the accounting system to monitor and understand costs associated with transporting athletes.

During the course of the audit, we noted that the billing rate charged to schools did not appear to cover the costs of transportation. School administration was aware of issues related to under-funding of transportation costs. A separate study of this issue was being undertaken by the administration, allowing us to limit the scope of our audit to review of the aforementioned accounting issues.

-- End of Observations --

RECOMMENDATION 1

Organizational Structure

We recommend that the school administration develop a centralized athletics department that unifies program and athlete development across schools and grades. A centralized athletics department should be responsible for strategic planning, budget development, financial management, policy development, and compliance with all laws and regulations applicable to the division's athletics programs. In order to assign accountability for accomplishing the strategic objectives and goals for athletics, authority over athletics personnel should also reside primarily with the Athletics department. Additionally, we recommend that job descriptions be created for the Director of Athletics, and any other Athletic Department staff. Specific job duties related to the RCPS Title IX representative need to be documented and formally assigned. As job roles change, associated job duties and expectations should be updated periodically to reflect those changes.

VHSL policy states that Principals must exercise control over all interscholastic contests in which their schools participate. This policy reflects the fact that athletics is one component of student life and should be managed in such a way as to support other personal and academic development. School Principals must continue to have authority to approve game schedules and should also have formal channels for receiving and providing feedback about athletics programs on their campuses.

RECOMMENDATION 2

Budget Process

The budget is an important tool for managing limited resources. The National Advisory Council on State and Local Budgeting defines the mission of the budget process as follows, "To help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process." The Advisory Council recommends that the following characteristics be incorporated into the budget process:

- Incorporate a long-term perspective.

- Establish linkages to broad organizational goals.
- Focus budget decisions on results and outcomes.
- Involve and promote effective communication with stakeholders.
- Provide incentives to government management and employees.

Using these characteristics as guidelines, a formal budgeting process for athletics should be implemented which involves input from Athletic Directors, Principals, the Director of Athletics, and other administrative staff. Staff should be included in all stages of budget development and a final budget should be communicated back to school personnel. School staff should be provided with appropriate tools to enable them to understand and develop their revenue streams, manage their operating expenditures, and plan their long term capital asset needs. The administration should evaluate the need for a long term capital improvement plan for athletics.

RECOMMENDATION 3

Policies and Procedures

The Athletics department should develop a comprehensive policies and procedures manual that incorporates the following:

- A stated mission for the athletics department that supports the School Division's mission
- Objectives supporting the department's mission
- Specific and measurable goals supporting department objectives
- Legal and regulatory mandates under which the department operates [federal, state, board, VHSL]
- An organizational chart with all authorized positions for the department
- Job descriptions for all athletics positions
- Overview of sanctioned sports programs
- Eligibility requirements for student athletes and any related appeals processes
- Practice and game scheduling
- Security and safety protocols
- Game workers and officials
- Budgeting and financial management processes
- Capital Asset Planning [equipment replacement, facility maintenance]

- Capital Improvement Plan [future infrastructure needs]
- Donor and sponsorship development

The policies and procedures manual should be published and made available to all school personnel. The manual should be reviewed and revised on an annual basis to ensure it remains current with regulatory and organizational changes.

RECOMMENDATION 4

Athletics Booster Clubs

The William Fleming and Patrick Henry Athletic Booster Clubs provide substantial support to the School Division's athletes and coaches. The people involved represent a significant asset to the schools and community, investing their time and talent in generating both financial support for athletics and broader interest in high school sports. Booster clubs are essentially viewed by the public as an extension of the schools based on their purpose, use of team colors and names, pages and links on school Web sites, and sanctioned activity in school facilities.

As the Athletics department develops its mission, objectives, and goals, it should carefully consider the roles that booster clubs can serve in achieving the mission. We recommend the following:

- The Athletics department should meet with booster club representatives to review division mission, goals and objectives.
- The Athletics department should work with the booster clubs to improve ongoing communication and coordination of efforts.
- The Athletics department should develop and document the expectations the division has for coaches and players related to appropriate interactions with booster clubs.
- The Athletics department should develop a policy for accepting support from boosters that formalizes how donations of cash, services, and equipment are to be received, recorded, and acknowledged by the school division.

- Establish a point of contact for receiving donations of cash/checks and prohibit all other employees from personally accepting donations of money.
 - Require that donations of equipment, services, or other non-monetary gifts be reported to the Director of Athletics.
 - Develop an acknowledgment letter to be issued from the Director of Athletics and addressed to the donor that lists the date and description of the donation.
 - Require schools to report donated equipment to the warehouse for entry into the fixed asset system; barcodes from the warehouse should be affixed to all equipment.
- The potential for developing paid sponsorships, advertising, and sales of logo items should be more formally explored by the Athletics department and opportunities for booster club involvement should be discussed with booster representatives. Formal agreements should be established in writing if rights are granted to booster clubs for the use of team logos or the use of the school name.
 - The Athletics department should develop a handbook for booster club officers that provides information about VHSL regulations, Roanoke City School Board regulations, and Athletics department policies related to booster club activities.
 - If significant rights are granted to booster clubs in terms of fundraising on school campuses, advertising, etc., the school division should require booster clubs to create a charter, by-laws, and officers; the club should be registered as a non-profit organization with the Virginia State Corporation Commission. Annual financial statements should be requested by the Athletics department for comparison against division records of booster support and for evaluating a club's use of funds and capacity to support current initiatives.

RECOMMENDATION 5

Fixed Assets

We recommend that the warehouse take a physical inventory of existing assets in all athletics facilities to ensure all significant assets [> \$500] are included in the Destiny

system and have the appropriate barcodes affixed to them. The Athletics department should be required to conduct a periodic physical inventory of assets in accordance with existing school division policy.

The consolidation of accounting systems into the AptaFund system should improve consistency in tagging and recording newly purchased capital assets. Tagging and recording donated assets should be addressed as part of the development of Athletics department procedures for accepting non-monetary donations. Athletic Directors should have a good working knowledge of athletic assets which reside at his/her school and serve as a primary point of contact for warehouse personnel. A procedure for disposal of capital assets needs to be developed. Both the Director of Athletics and Warehouse personnel should be informed of assets ready for disposal so they can either be redeployed within the system or so that disposals/sales can be properly approved, documented, and recorded.

RECOMMENDATION 6

Funds Management

The implementation of the AptaFund system has shifted the responsibility for posting revenues from the individual school bookkeepers to central office staff. The AptaFund system provides account elements that allow revenues to be identified as to location collected, revenue source, and the club or sport to which it belongs. This provides a foundation for better accounting and financial management of revenues and expenditures. In support of improving entry of this data, we recommend that the Accounting department develop a new teacher remittance form that prompts employees to document the necessary information on the remittance form and to attach supporting documents as necessary. Purchasing and Financial Control should work closely with bookkeepers to address incomplete remittance forms and documentation.

We also noted issues with transferring funds out of team accounts on Manatee. The AptaFund system reduces the ease by which bookkeepers can transfer funds, reducing our concern in this area. As procedures are developed around the AptaFund system, Purchasing and Financial Control should consider if procedures are needed

and are feasible to protect funds raised by a specific sports team from being expended by other teams.

RECOMMENDATION 7

Vendor Management

The Department of Purchasing and Financial Control needs to establish sound vendor management procedures to include instructions on requesting and retaining W-9 information and vendor setup. All employees working with vendor setup and reporting should have a good working knowledge of Internal Revenue Service regulations. The preparation of 1099 forms should be assigned to one staff member and a second staff member should be responsible for reviewing forms for errors. This provides a level of assurance that items missed upon preparation will be identified before information is transmitted to the IRS. The School Division should consider a mass mailing to current vendors requesting updated W-9 information in order to confirm current vendor status as it appears that vendor tax information was not accurate at the time of conversion to AptaFund. This would substantially improve vendor data by identifying vendors no longer in business, vendors operating under new names, and duplicate vendors in the system. Additionally, procedures should be reviewed in relation to the AptaFund financial system to assure that all employees providing services for Athletic competitions are paid through payroll.

RECOMMENDATION 8

Transportation

We recommend that the Accounting department work with the Transportation department to develop a journal entry process for internal billings. School administrative personnel are primarily in charge of game scheduling and are actively involved in addressing athletic travel needs. As such, school administration should sign off on amounts charged to schools for team transportation before journal entries are posted. This provides a level of assurance that all parties are in agreement that charges are accurate.

The Transportation Department should do a thorough analysis of actual bus costs and update the chargeable rate accordingly. This analysis should be done on an annual basis as a part of the budget process.

RECOMMENDATION 9

Establishment of Athletic Fund

Athletic revenues and expenditures may be accounted for in a separate fund to provide increased management oversight and better financial control. This would allow for line item budgeting, as well as the opportunity to perform district-wide revenue and expenditure analysis.

For financial reporting purposes, the athletic fund should be reflected in the Comprehensive Annual Financial Report as a fiduciary fund. Per the Virginia Administrative Code Section 8VAC20-240-10, "All funds derived from extracurricular school activities, such as entertainment, athletic contest, cafeteria, club dues, etc., and from any and all activities of the school involving personnel, students, or property are by this chapter classified as school activity funds." These funds are fiduciary in nature, as the school is holding the monies in trust for a specific activity. The monies cannot be used to support general school programs and this fund type does not require a legally adopted budget. Monthly and annual financial reports on this fund are required by the Virginia Department of Education.

The Virginia Department of Education's guidelines addressing school activity funds state, "The responsibility for safeguarding, accounting, and managing the school activity funds rests solely with the principal and shall include the conduct of student financial activities in accordance with the policies, rules, and procedures set forth by the state, the local division, and the superintendent." This indicates that monies generated through donations, fundraisers, and gate receipts must continue to be accounted for separately for each sports team; and expenditures from these accounts are subject to approval from the Principal.

CONCLUSION

We concluded that processes in the area of athletics associated with budgeting and planning, accounting, and compliance with applicable laws and regulations could be significantly improved.

We concluded that establishing a separate fiduciary fund for athletics was feasible and appropriate. We have attached a pro-forma Statement of Changes in Fiduciary Assets and Liabilities for fiscal year ending June 30, 2007.

We noted other minor exceptions in our test work that were communicated to management in a separate letter.

We would like to thank administrators and staff throughout the school division for their assistance and cooperation during the audit process.

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Exhibit 1**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA****Pro-Forma Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2007****ATHLETICS**

	Middle School Athletics	Patrick Henry Athletics	William Fleming Athletics	Total	% of Total Additions or Deductions
Balance June 30, 2006	\$ -	\$ -	\$ -	\$ -	
Additions:					
Gate Receipts	\$ -	\$ 50,495.06	\$ 56,833.09	\$ 107,328.15	11.3%
Donations	-	33,163.94	12,944.98	46,108.92	4.8%
Concessions	-	8,700.31	741.45	9,441.76	1.0%
Allotment	-	56,609.64	50,885.24	107,494.88	11.3%
VHSL	-	8,213.42	3,297.87	11,511.29	1.2%
Fundraisers	-	19,681.90	6,884.78	26,566.68	2.8%
Fees	-	8,417.75	14,181.50	22,599.25	2.4%
Payment from Civic Center	-	3,764.12	5,598.54	9,362.66	1.0%
VHSL Tickets	-	792.00	2,028.00	2,820.00	0.3%
Received from other Schools	-	775.00	2,632.97	3,407.97	0.4%
Drink Machine	-	697.20	-	697.20	0.1%
Sports Program	-	64.00	634.00	698.00	0.1%
B and G Cards	-	-	6,296.00	6,296.00	0.7%
Banquet Tickets	-	639.00	1,727.00	2,366.00	0.2%
VIP Passes	-	-	755.00	755.00	0.1%
Shirt/Jackets	-	20.00	795.00	815.00	0.1%
Coke	-	243.08	-	243.08	0.0%
Playoff Tickets	-	-	854.00	854.00	0.1%
Transfer from General Fund	194,054.93	257,143.30	138,586.45	589,784.68	61.9%
Other	-	2,851.28	427.48	3,278.76	0.3%
Total Additions	\$194,054.93	\$ 452,271.00	\$ 306,103.35	\$ 952,429.28	

	Middle School Athletics	Patrick Henry Athletics	William Fleming Athletics	Total	% of Total Additions or Deductions
Deductions:					
Salaries, Benefits and Supplemental Pay	\$ 144,769.17	\$ 257,143.30	\$ 138,586.45	\$ 540,498.92	51.7%
Meals	-	20,302.14	11,449.11	31,751.25	3.0%
Transportation	-	58,680.36	22,398.15	81,078.51	7.8%
Lodging	-	7,359.94	5,043.37	12,403.31	1.2%
Mileage, Parking, etc.	-	1,016.41	2,591.44	3,607.85	0.3%
Banquets and Dinners	-	4,522.38	5,188.86	9,711.24	0.9%
Conferences and Registrations	-	1,305.00	671.55	1,976.55	0.2%
Training Camps	-	4,500.00	5,125.29	9,625.29	0.9%
Equipment	14,936.82	16,570.45	21,189.28	52,696.55	5.0%
Security	-	8,556.81	5,926.31	14,483.12	1.4%
Officiates	16,606.40	23,658.80	15,889.37	56,154.57	5.4%
Workers	-	2,963.83	3,245.00	6,208.83	0.6%
Entry Fees	120.00	5,336.00	4,577.77	10,033.77	1.0%
Uniforms	1,283.54	27,945.77	27,275.58	56,504.89	5.4%
Supplies	-	3,477.75	4,006.30	7,484.05	0.7%
Use of Facility	2,938.66	7,425.00	4,100.00	14,463.66	1.4%
Insurance	6,000.00	6,724.00	6,688.00	19,412.00	1.9%
Admission Tax	-	982.38	1,333.75	2,316.13	0.2%
Sports Medicine	-	5,145.35	1,331.95	6,477.30	0.6%
Memberships	-	280.00	45.00	325.00	0.0%
VHSL Membership	-	720.00	795.00	1,515.00	0.1%
Lap Tops	-	-	1,275.00	1,275.00	0.1%
Sound Systems	-	-	4,600.85	4,600.85	0.4%
Tournaments	-	1,300.00	-	1,300.00	0.1%
Miscellaneous	7,400.34	62,016.23	30,427.50	99,844.07	9.5%
Total Deductions	\$194,054.93	\$ 527,931.90	\$ 323,760.88	\$1,045,747.71	
Balance June 30, 2007	\$0.00	(\$75,660.90)	(\$17,657.53)	(\$93,318.43)	

Deductions do not include charges for activity buses or EROP payments to game workers.

All Middle School Athletic Costs, as well as Patrick Henry and William Fleming personnel costs were assumed to be funded by a Transfer from the General Fund

Transfer from General Fund includes monies transferred for salaries and Middle School expenditures



**ROANOKE CITY
PUBLIC SCHOOLS**

Strong Students. Strong Schools. Strong City.

Deputy
Superintendent of
Operations

Curt Baker
cbaker@rcps.info

December 7, 2008

Drew Harmon, CPA, CIA
Municipal Auditor
City of Roanoke
215 W. Church Avenue, Room 502
Roanoke, VA 24011-1517

Re: Athletics Audit

Dear Mr. Harmon:

This letter sets forth the response of the Administration of the Roanoke City Public Schools to the above referenced audit. If you have any questions or concerns regarding the response, or if you need further information, please do not hesitate to contact me.

Organizational Structure

The Administration acknowledges and agrees with the observations and recommendations regarding the organizational structure of athletics.

A centralized athletics department has been created (see Attachment 1, which is an organization chart for the athletics department). This department is responsible for strategic planning, budget development, financial management, policy development and compliance with all laws and regulations applicable to the RCPS athletics programs.

Job descriptions for the RCPS Athletic Director, the high school and middle school athletic directors, varsity head coaches, other coaches, and athletic trainers are under review and will be finalized by no later than December 31, 2008.

Under the new structure, Principals continue to have the authority required under Virginia High School League (VHSL) policy.

Athletics has been designed to be a service organization to the Principal. Numerous avenues for Principal feedback have been incorporated into the procedures and operating practices of the Athletics Department. For example, by design, Principals are specifically requested to provide direct feedback that will be incorporated verbatim into the performance evaluation of the RCPS Athletic Director, the relevant local athletic director, varsity head coaches (for high school), and other coaches.

Budget Process

The Administration acknowledges and agrees with the observations and recommendations regarding athletic budgeting.

Commencing with the preparation of the 2009-10 budget, a budgeting process for Athletics will be implemented that is consistent with the National Advisory Council on State and Local Budgeting recommendations. Direct input from the various athletic directors, high school and middle school principals, and other administrative staff will be solicited and taken into account. The final budget, which will provide for both operating and capital spending, will be appropriately communicated.

Additionally, the Administration believes that the root cause of the weak Athletics control protocols observed by the Municipal Auditor is the decentralized financial management practices that prevailed during and before the 2007-08 fiscal year. With widely disbursed and poorly defined accountabilities, appropriate oversight did not occur.

The Administration believes that this has been largely cured with the implementation of a new, fully inclusive, financial software product – AptaFund – which was launched on July 1, 2008. As part of the system implementation, a new chart of accounts and new control protocols were put in place.

The Accounting department is presently working with the Athletic Directors to further develop, implement, and document protocols for the Athletics Department that meet or exceed the recommendations set forth by the Municipal Auditor.

It should be noted that a five year Athletics Plan has been developed and is now in place. This Plan will inform both short and longer term Athletic Department spending and facilitate more extensive stakeholder participation in the budgeting process than has previously been the case.

Policies and Procedures

The Administration acknowledges and agrees with the observations and recommendations regarding athletic policies and procedures.

Under the direction of the Director of Athletics, a comprehensive policies and procedures manual that incorporates all of the elements set forth in the recommendation of the Municipal Auditor will be completed by June 30, 2009. Assistance in creating the procedures manual will be provided by personnel from the Accounting, Purchasing and Financial Control, Student Services, and Human Resources Departments.

The completed procedures manual will be published in hard copy and posted electronically on the RCPS website.

The procedures manual will be reviewed annually under the Direction of the Director of Athletics.

Athletics Booster Clubs

The Administration acknowledges and agrees with the observations and recommendations regarding athletic booster clubs. Roanoke City Public Schools are grateful for the good work and strong support provided by these organizations.

In response to the recommendations of the Municipal auditor, the following steps are being taken:

- By no later than June 30, 2009, the Administration and/or Athletics Department will meet with representatives of each booster club to review with them the athletics five year plan (which includes extensive discussion of the Athletics Department mission, goals and objectives). Efforts will also be made at each session to improve ongoing communication and coordination of efforts. Fundraising protocols will be reviewed, as will the organizational status of the booster organization with the Virginia State Corporation Commission.
- The Director of Athletics, working with the Accounting and Human Resources Departments will develop by no later than January 31, 2009 procedures relating to (a) appropriate interaction of coaches and players with booster clubs and (b) the receipt, recording, acknowledgement, physical handling, and reporting of booster donations.
- The Athletics Department will consider Athletics revenue opportunities other than gate receipts. To the extent this additional revenue generation would benefit from booster club involvement, and if the booster club wishes to participate, formal written agreements as between the parties will be put in place. (This includes revenue generation opportunities suggested to the school division by a booster club.)
- By no later than June 30, 2009, the Athletics Department will develop a handbook for booster club officers that provides information about VHSL regulations, RCPS regulations, and Athletics department policies related to booster club activities. The handbook will be updated annually and will be distributed to the board of each booster organization prior to the start of the relevant sport's season.

Fixed Assets

The Administration acknowledges and agrees with the observations and recommendations regarding Athletics fixed assets.

By no later than June 30, 2009, all Athletics capital assets will be bar coded and entered into the Destiny system.

By no later than the first day of school in the 2009-10 school year, a full physical inventory of Athletics capital assets will be completed, including balancing entries, if necessary, in the AptaFund system. Full annual physical inventories of Athletics capital assets will be carried out each summer thereafter.

Funds Management

The Administration acknowledges and agrees with the observations and recommendations regarding Athletics funds management.

By no later than January 31, 2009, the accounting department, working with the purchasing and financial control organization, will develop, document, communicate, and implement a new teacher remittance form that prompts employees to document the necessary information and attached appropriate support.

Additionally, in the first quarter of 2009, considerable attention will be given to fund raising protocols, in general. This work will serve to address the recommendation of the Municipal Auditor that additional procedural control be documented to assure that funds raised by one sports team are not spent by another.

Finally, prior to the end of the 2008-09 fiscal year, the accounting department, working with purchasing and financial control, will conduct an internal review of control processes surrounding admissions taxes, remittance forms (with special attention to gate revenues and the corresponding change funds), and funds transfers.

Vendor Management

The Administration acknowledges and agrees with the observations and recommendations regarding Athletics vendor management.

By no later than January 19, 2009, the Human Resources Department, payroll, and the Accounting Department will review and fully document all 1099 preparation procedures. As part of this effort, preparation of 1099 forms will be assigned to one staff member,

with a second staff member reviewing for errors. Additionally, the RCPS Director of Athletics, supported by the school-based athletic directors, will conduct a thorough review of 2008 disbursements to assure that 1099 reporting is complete and comprehensive. It is our expectation that this review will address the Municipal Auditor's observation regarding employee payments. The Administration concurs that all employees providing services for Athletic competitions must be paid through payroll.

Once the 2008 1099s have been prepared, the efficiency and effectiveness of the procedures will be reviewed by the groups involved in their design. Any procedural changes resulting from that review will be documented.

Additionally, by no later than January 16, 2009, the Accounting Department will send information packets to all Principals, athletic directors, and other appropriate recipients regarding W-9 reporting.

By no later than June 30, 2009, the Purchasing and Financial Control Department will complete a division-wide effort to improve vendor data. This will address the Municipal Auditor's observations regarding defunct vendors, duplicate entries, D/B/A changes, and the like.

Transportation

The Administration acknowledges and agrees with the observations and recommendations regarding transportation for Athletics.

It should be noted that, effective January 1, 2009, significant management changes will be made in the RCPS Transportation organization. A new Director, supported by two newly appointed Assistant Directors, will begin their assignments.

The Deputy Superintendent will direct the new management team to develop recommendations for addressing a range of operational and administrative/procedural issues relating to Athletics transportation. This will include sign-off protocols for services provided.

It should be noted, however, that the billing protocols for transportation already have been changed. A review of actual transportation costs was conducted in the fall and a per-mile billing rate established. Charges are now set at the greater of (a) \$60 or (b) the number of miles traveled times the per-mile rate. This rate will be updated annually unless there is compelling evidence that more frequent adjustment is appropriate.

Drew Harmon, CPA, CIA
Municipal Auditor
December 7, 2008
Page 6 of 6

Establishment of Athletic Fund

The Administration acknowledges and agrees with the observations and most of the recommendations regarding establishment of an Athletic Fund.

The Athletic Fund was created on July 1, 2008 to allow for line item budgeting and the opportunity to perform division-wide revenue and expenditure analysis. The nature of the Athletic Fund, as created, allows for “fiduciary” monitoring and operational accounting. It is closer in style to the Food Services Fund than the Student Activities Fund.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Baker', written over a light blue horizontal line.

Curtis D. Baker
Deputy Superintendent
Roanoke City Public Schools



RCPS Athletics Plan

Athletics as a Service Organization

