

# **Internal Audit Report**

**Management of Student Activity Funds**

**Folsom Junior High**

**November 21, 2023**

**St. Tammany Parish School System**

**Office of Internal Audit**

## **Background**

Folsom Junior High (FJH) School is located in Folsom, Louisiana and provides services to approximately 190 sixth to eighth grade students. The St. Tammany Parish School Board (STPSB) employs individuals to work at FJH. The management structure of FJH includes a Principal and one Assistant Principal with the bookkeeper reporting to the Principal.

Public schools in Louisiana are supported primarily by state funding and local taxes. In addition to this funding, individual schools generate additional revenues from other sources such as fundraisers and other school activities. These revenues, known as Student Activity Funds, supplement the instructional program and contribute to the educational experiences of the students and benefit the general welfare of the school.

The management of the Student Activity Funds is decentralized with oversight at the level of the Principal. Financial policies and procedures governing the management of the Student Activity Funds have been developed by STPSB and are updated annually and promulgated to all key school personnel.

## **Audit Objectives**

The objectives of the audit were to:

- Determine the adequacy of the internal control environment over the school's accounting function at FJH.
- Review the school's compliance with STPSB School Finance Handbook (Administrative Guidelines/Best Practices for School Activity Funds Accounting).

## **Audit Scope**

For the period 10/1/2022 to 9/30/2023, a limited review was performed of the financial records of FJH. The purpose of the review was to determine if the school's financial records, policies, and procedures were maintained in accordance with the STPSB School Finance Handbook and Louisiana Revised Statutes. This review included tests of the accounting records and other auditing procedures deemed necessary.

## **Testing Method**

Key members of management, accounting and bookkeeping staff at FJH were interviewed to gain an understanding of the financial management of the school. In addition, financial policies and procedures contained in the STPSB School Finance Handbook were reviewed.

Procedures included the assessment of controls for each in-scope audit area. Documents that were reviewed during testing included supporting documentation for a combined thirty-three receipt and disbursement transactions. This documentation included but was not limited to invoices, receipts, bank records, purchase authorization forms, bank reconciliations, and bank statements.

Transaction total amounts tested for the period 10/1/2022 to 9/30/2023 were as follows:

- \$ 27,935 in receipts (32% of total \$'s receipted)
- \$ 17,626 in disbursements (38% of total \$'s disbursed)

## **Audit Observations/Results:**

### **1. Compliance with Grant Approval Process**

#### **Observation:**

The Principal must approve all applications for school grants prior to applying for the grant. A Grant Approval Form is available for all teachers /sponsors to complete with the information about the grant. During a review of receipts, it was noted that grant requests were not always approved in advance prior to being applied for.

#### **Recommendation:**

The school should comply with the STPSB's Best Practices for School Activity Funds Accounting manual regarding grants. The form must be signed and dated by the teacher/sponsor requesting the grant and then submitted to the Principal for approval. The Principal would then sign and date the approval and forward the request to the school's Curriculum and Instruction Supervisor.

#### **Management Action Plan:**

As Principal, both myself and the bookkeeper have reviewed the grant approval process and shared the protocol with all teachers; including itinerant teachers.

### **2. Compliance with Providing All Account Sponsors with An Account Detail Of Their Fund's Activity**

#### **Observation:**

The school's bookkeeper is not providing activity sponsors with a quarterly detailed report of the fund activity. Distribution of this quarterly report is an important internal control as it relates to both receipt and disbursement validation.

#### **Recommendation:**

As indicated in the STPSB School Finance Handbook, the bookkeeper should provide a quarterly detailed report for all school activity accounts to account sponsors for restricted accounts and to the school Principal for all unrestricted accounts. All account sponsors should reconcile the report to check copies (withdrawals) and receipts (deposits) for the month. Any discrepancies should be reported to the school's administration for review and reconciliation with the bookkeeper.

#### **Management Action Plan:**

The bookkeeper and I have met with all activity sponsors to let them know they will receive an account of their funds quarterly and will be expected to sign upon receipt and submit any questions in writing.

### **3. Compliance with Fund Expenditure/Obtaining Proper Approval Prior to Purchasing School-Related Items**

#### **Observation:**

As part of the disbursement testing, a sample of seventeen disbursement were reviewed. A review of the school's Purchase Request forms indicated that several of the school's Purchase Request forms selected were either incomplete (missing Principal approval) or did not contain the required prior approval needed in order to request and purchase items for the school's operation.

The STPSB School Finance Handbook indicates that expenditures require prior approval from the Principal with "an amount not to exceed, or exact total" provided on the Purchase Request form. The Principal's approval signature confirms that (a) the related account funds are available to cover the expenditure, (b) the person requesting the expenditure is authorized to do so., and (c) that the disbursement is in accordance with LSA-RS 17:414.3 (B)(3).

#### **Recommendation:**

In order to maintain an environment with appropriate internal controls regarding disbursements, all required prior written approvals or supporting documentation must be obtained and recorded. The school should follow the STPSB's School Finance Handbook that requires that the School Purchase Request form be completed prior to any purchase and that all documentation supporting the purchase be retained and provided as support for the purchase.

#### **Management Action Plan:**

The bookkeeper and I have reviewed the finance handbook and we will ensure that all purchase request forms are complete before any purchase.