

Internal Audit Report

Management of Student Activity Funds

Pearl River High School

June 15, 2021

St. Tammany Parish School System

Office of Internal Audit

Background

Pearl River High School (PRH) is located in Pearl River, Louisiana and provides services to approximately 600 ninth to twelfth grade students. The St. Tammany Parish School Board (STPSB) employs individuals to work at PRH. The management structure of PRH includes a Principal and two Assistant Principals with the bookkeeper reporting to the Principal.

Public schools in Louisiana are supported primarily by state and local taxes. In addition to this funding, individual schools generate additional revenues from other sources such as fundraisers, day care, 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 PRH.
- Review the school's compliance with STPSB School Finance Handbook (Administrative Guidelines/Best Practices for School Activity Funds Accounting).

Audit Scope

For FY 2020, a limited audit was performed of the financial records of PRH. The purpose of the audit 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 audit included tests of the accounting records and other auditing procedures deemed necessary.

Testing Method

Key members of management, accounting and bookkeeping staff at PRH 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 seventy-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.

Transactions tested for FY 2020 were as follows:

- \$ 323,489 in receipts
- \$ 326,695 in disbursements

Audit Observations/Results:

1. Compliance With Personal Transactions Policy

Observation:

School activity funds should not be used for personal transactions. Personal transactions include personal rewards memberships when engaged in school business which will be paid for with school funds. As part of the disbursements testing, a sample of thirty-four disbursements were reviewed. One of the disbursements selected involved travel expenses by a sponsor in which the sponsor used a personal rewards membership and earned reward points in which public funds paid for the business-related travel.

Recommendation:

Personal rewards cannot be received when paid for with public funds. The personal rewards earned should be surrendered back to the vendors who provided the personal rewards.

Management Action Plan:

The Principal will ensure that the personal transaction policy is reemphasized to all employees. The employee has contacted the vendor and requested that the personal rewards be reversed.

2. Compliance With Fund Expenditure/Purchasing Policy – Charter Bus Policies/Deposit Provided and Quotes Obtained

Observation:

The STPSB charter bus policies indicate that deposits to secure a charter bus cannot be greater than 25% of the total fee and must be refundable or applicable to a future rental. Also, competitive quotes must be obtained if the cost of the charter is over \$1,000. A bus was chartered for over \$1,000 in which only one quote was obtained and the charter fee was prepaid in full.

Recommendation:

Any use of school funds to obtain a charter should comply with the charter policy contained within the STPSB School Finance Handbook. This policy requires that three quotes be obtained for any charter over \$1,000 and that deposits for the service cannot be greater than 25 % of the total fee.

Management Action Plan:

The need to comply with the purchasing policy found in the STPSB School Finance Handbook was reemphasized to all PRH staff; specifically that any charter purchase over \$1,000 will only be approved after acquiring three quotes and only a 25% deposit is allowed when reserving a charter bus.

3. Compliance With Fund Collections Policy – Ticket Reconciliation

Observation:

The STPSB collection policy requires that there should be a proper accounting and reconciliation for admission fees charged for all events. A review of collection for events noted that the

reconciliation form was not always completed for admission fees charged for those events. In addition, for those events in which a ticket reconciliation was used, it was noted that the reconciliations were either not consistently completed and/or balanced accurately. Most of the reconciliations sampled were not reviewed by the Principal as required. This acknowledgement of a review by the Principal is an important internal control.

Recommendation:

All funds collected should be collected in compliance with the STPSB collections policy. There should be a proper accounting for admission fees charged for all events such as athletics or entertainment, whether assessed in advance or upon entering the event. All event fees should be controlled through the use of pre-numbered tickets. The person responsible for controlling the tickets must enter the first unsold ticket number for each category of tickets to be sold on the Ticket Reconciliation report. After the event, the last sold ticket number should be entered on the Ticket Reconciliation form by the ticket seller. Without completing this process, an accurate reconciliation of receipts collected compared to tickets sold cannot be performed. Having the Principal's review is the final step in the reconciliation process to ensure all steps are completed.

Management Action Plan:

The Principal has reemphasized to the staff the need to comply with the STPSB Collections Policy regarding ticket reconciliations.

4. Compliance With Fund Collections and Deposit Policy/General Receipting - Maintain Appropriate Receipt Documentation

Observation:

As part of the receipts testing, a sample of thirty-nine receipts were reviewed to ensure the receipting process was complete. A review of these transactions indicated that many of the receipt transactions sampled were not documented in compliance with the STPSB School Finance Handbook. Exceptions included the following:

- Teachers were not always required to use receipt books when receipting cash or checks from students.
- The majority of funds receipted by the teachers/sponsors did not contain supporting documentation and/or the documentation was not retained at year end and forwarded to the bookkeeper for the required retention period for financial documents.
- Receipts did delineate between check and cash receipted but supporting documentation did not exist regarding which students the cash was actually receipted from.

5. Compliance With Fund Collections and Deposit Policy - Depositing Funds to the Bank

Observation:

The STPSB deposit policy requires that all receipts should be deposited to the bank intact daily. However if the total amount collected is less than \$250, the funds can be secured in the school safe until the total reaches \$250. Also, all funds must be deposited on the last day of the school week and before a holiday. Currently, PRH is not always following STPSB Deposit Policy.

Recommendation:

All funds collected should be deposited in compliance with the STPSB Deposit Policy.

Management Action Plan:

The Principal has reemphasized to the staff the need to comply with the STPSB Deposit Policy.

6. Compliance With Providing All Account Sponsors With An Account Detail Of Their Fund's Activity

Observation:

Currently, the school's bookkeeper is not providing activity sponsors with a monthly detailed report of the fund activity. Distribution of this monthly 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 monthly 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:

All sponsors of school activity accounts will begin to receive a monthly-detailed activity report.

7. Compliance With Fund Expenditure/Obtaining Proper Approval Prior To Purchasing School-Related Items

Observation:

As part of disbursement's testing, a sample of thirty-four disbursements were reviewed. A review of the school's Purchase Request forms indicated that four of the school's Purchase Request forms selected did not contain the required *prior* approval needed to purchase items for the school's operation.

The STPSB School Finance Handbook indicates that expenditures require prior approval of the Principal with "an amount not to exceed, or exact total" provided on the Purchase Request form as well as the appropriate supporting documentation. The Principal's approval signature and date 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:

The school should follow the STPSB's School Finance Handbook regarding fund expenditures and the related purchasing policy. In order to maintain an environment with appropriate internal controls regarding disbursements, all required prior approvals must be obtained and recorded.

Management Action Plan:

The Principal and bookkeeper are committed to assuring compliance exists with all fund expenditures and will continue to emphasize the need to comply with these requirements.

8. Compliance With Travel Policy – Out-Of-Parish Travel With Overnight Stay

Observation:

As part of the STPSB travel policy, an out-of-parish form is required to be completed and approved prior to the trip. In addition, if an overnight stays is involved, that overnight stay must be approved separately. While performing a test of travel expenses, an out-of-parish overnight trip for a sports team did not receive approval for either the out-of-parish travel or the overnight stay.

Recommendation:

The school should comply with the STPSB’s School Finance Handbook regarding travel policy and the requirement to obtain advance approval for any out-of-parish travel or overnight stays.

Management Action Plan:

The Principal and bookkeeper are committed to assuring compliance exists with travel-related policies and will continue to emphasize the need to comply with these requirements.

Audit Opinion:

The internal audit opinion is based on several components: (a) the results of testing and observations obtained and their impact on the schools financial records and (b) the level of existing internal controls over the school’s financial records.

For FY 2020, internal controls over the school accounting records appeared to be unsatisfactory. This opinion is supported by the level of compliance with the STPSB School Finance Handbook in general and the level of supporting documentation maintained relating to the school’s daily operations. The specific findings and recommendations are included in this report.