

Internal Audit Report

Management of Student Activity Funds

Lakeshore High School

February 5, 2024

St. Tammany Parish School System

Office of Internal Audit

Background

Lakeshore High School (LHS) School is located in Mandeville, Louisiana and provides services to approximately 830 ninth to twelfth grade students. The St. Tammany Parish School Board (STPSB) employs individuals to work at LHS. The management structure of LHS includes a Principal and two Assistant Principals 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 student educational experiences 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 LHS.
- Review the school's compliance with STPSB School Finance Handbook (Administrative Guidelines/Best Practices for School Activity Funds Accounting).

Audit Scope

For the period 12/1/2022 to 11/30/2023, a limited review was performed of the financial records of LHS. 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. Note that the school had a bookkeeper change during the scope timeframe of this review. The new bookkeeper started late July 2023.

Testing Method

Key members of management, accounting and bookkeeping staff at LHS 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 forty-two 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 12/1/2022 to 11/30/2023 were as follows:

- \$ 154,734 in receipts (29% of total \$'s receipted)
- \$ 83,671 in disbursements (18% of total \$'s disbursed)

Audit Observations/Results:

1. Compliance with Fund Deposit Policy

The fund deposit policy requires that all funds received be delivered to the bookkeeper daily in order that the bookkeeper can deposit the funds to the bank. Several deposits were noted in which cash and check receipts were either retained by staff or placed in the school safe over several consecutive days and not deposited at the bank timely as required.

Recommendation:

All funds collected should be deposited in compliance with the STPSB deposit policies. STPSB deposit policy requires that all receipts should be deposited to the bank intact. However, if the amount collected is less than \$1,000, the funds can be secured in the school safe until the total amount reaches \$1,000. In addition to the \$1,000 limit, all funds must be deposited to the bank on the last day of the school week and before a holiday.

Management Action Plan:

The Principal will ensure there is no more than \$1,000 in the safe by checking with the Administrator on duty for a gate amount. If the cumulative amount total is over \$1,000 then a deposit will be made in the night deposit of the bank.

2. Compliance With Fund Expenditure/Purchasing Policy - Charter Bus Policies

Observation:

The school sponsor responsible for the senior trip failed to add the required verbiage when chartering a bus. In addition, a deposit was provided in excess of the allowed 25% total fee allowed.

Recommendation:

The STPSB charter bus policy indicates that (a) 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 and (b) the contract cancellation policy with the vendor must be enhanced to include the following or similar terms "With prior to 24-hour notice, only the deposit will be forfeited and with less than 24-hour notice, 100% of the charter price paid is forfeited. In the event of an Act of God, declaration of war or civil unrest, no funds will be forfeited".

Management Action Plan:

The Principal will read the contract to ensure it meets STPSB compliance for charter bus rentals.

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

Observation:

As part of disbursement's testing, a sample of twenty-two 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 Principal's required **prior** approval to order items. This approval is a required component of the Purchase Request form and represent an important internal control feature.

The STPSB School Finance Handbook indicates that consideration of expenditures requires prior approval of the Principal with "an amount not to exceed, or exact total" provided on the Purchase Request form. After item(s) ordered are received with the appropriate supporting documentation, the Principal's approval signature and date are needed to confirm 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 that requires that the School Purchase Request form be completed **prior** to purchases. In order to maintain an environment with appropriate internal controls, the Purchase Request form must be approved by a supervisor of the individual requesting the purchase.

Management Action Plan:

The Principal will send reminders to staff about the purchasing policies and stress the importance of getting prior approval BEFORE purchases are made.

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

Observation:

Each quarter, or upon request, the bookkeeper is required to print a reconciliation report for all school activity accounts. The reports are to be provided to each account sponsor for restricted accounts and to the school Principal for all restricted accounts. Currently, not all sponsors are receiving their quarterly detailed report of their 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 Principal will check with the bookkeeper each quarter to ensure she is providing the detailed reports for all school accounts.