

# **Internal Audit Report**

**Management of Student Activity Funds**

**Folsom Elementary School**

**October 13, 2023**

**St. Tammany Parish School System**

**Office of Internal Audit**

## **Background**

Folsom Elementary School (FES) is located in Folsom, Louisiana and provides services to approximately 400 students from pre-school to fifth grade. The St. Tammany Parish School Board (STPSB) employs individuals to work at FES. The management structure of FES 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, childcare 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 FES.
- Review the school's compliance with STPSB School Finance Handbook (Administrative Guidelines/Best Practices for School Activity Funds Accounting).

## **Audit Scope**

For the period 9/1/2022 to 8/31/2023, a limited review was performed of the financial records of FES. 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 FES 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-four 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 9/1/2022 to 8/31/2023 were as follows:

- \$ 26,900 in receipts (15% of total \$'s receipted)
- \$ 47,782 in disbursements (26% 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 retained over several consecutive days rather than delivered daily to the bookkeeper.

#### **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. Also, all funds must be deposited to the bank on the last day of the school week and before a holiday.

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

We now use My Payments Plus to collect the before-care & after-care payments. That will alleviate this problem.

### **2. 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 five of the school's Purchase Request forms selected either did not contain the Principal's required **prior** approval to order items or did not contain the Principal's approval to pay for the ordered item. These approvals are 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 require 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 any purchase. 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:**

All Purchase Request forms will be submitted to the Principal, reviewed and approved prior to all purchases.