

# **Internal Audit Report**

**Management of Student Activity Funds**

**Lake Harbor Middle School**

**August 7, 2023**

**St. Tammany Parish School System**

**Office of Internal Audit**

## **Background**

Lake Harbor Middle School (LHM) School is located in Mandeville, Louisiana and provides services to approximately 560 fourth through sixth grade students. The St. Tammany Parish School Board (STPSB) employs individuals to work at LHM. The management structure of LHM 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 LHM.
- Review the school's compliance with STPSB School Finance Handbook (Administrative Guidelines/Best Practices for School Activity Funds Accounting).

## **Audit Scope**

For the period 7/1/2022 to 6/30/2023, a limited review was performed of the financial records of LHM. 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 LHM 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 twenty-six 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 7/1/2022 to 6/30/2023 were as follows:

- \$ 18,286 in receipts
- \$ 41,313 in disbursements

## **Audit Observations/Results:**

### **1. Compliance with Fund Collection Policy**

#### **Observation:**

The STPSB fund collection policy requires each individual collecting school funds should complete a two-part School Deposit Receipt Form for all funds received and deliver the funds to the bookkeeper daily. Testing of receipt transactions revealed that receipts were not consistently provided to parents/students for cash and check payments received.

#### **Recommendation:**

Teachers and staff who handle collection of funds should maintain accurate and systematic records of all funds collected. Each individual collecting school funds should complete at least a two-part School Deposit Receipt Form. A three part-receipt book, with the third copy intact, can take the place of the log. One receipt copy should be given to the parent, one remains with the deposit and the final copy remains in the receipt book. Each receipt provided should also delineate the amounts collected by cash and check.

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

All cash collected will come through the front office. The people in the office will provide the receipts to the students/parents at the time of collection.

### **2. 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:**

All cash/monies collected will come through the front office. The people in the office will provide the receipts to the students/parents at the time of collection. The money collected will then be given to the bookkeeper the same day it was collected.