

# **Internal Audit Report**

**Management of Student Activity Funds**

**Mandeville High School**

**April 20, 2021**

**St. Tammany Parish School System**

**Office of Internal Audit**

## **Background**

Mandeville High School (MHS) is located in Mandeville, Louisiana and provides services to approximately 1,800 ninth to twelfth grade students. The St. Tammany Parish School Board (STPSB) employs individuals to work at MHS. The management structure of MHS includes a Principal and four 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 MHS.
- 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 MHS. 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 MHS 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 Guidelines related to the management of Student Activity Funds 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 eighty-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.

Transactions tested for FY 2020 were as follows:

- \$ 643,575 in receipts
- \$ 429,998 in disbursements

## **Audit Observations/Results:**

### **1. 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, each month the bookkeeper should print a detailed report for all school activity accounts. The report will be provided to each account sponsor for restricted accounts and to the Principal for all unrestricted accounts. All account sponsors should reconcile the report to their copies of checks (withdrawals) and receipts (deposits) for the month. Any discrepancies should be reported to the school's administration for review, approval and reconciliation with the bookkeeper.

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

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

### **2. Compliance With Deposit Policy**

#### **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, MHS 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.

### **3. Compliance With Fund Collections Policy**

#### **Observation:**

The STPSB collection policy requires that there should be a proper accounting and reconciliation for admission fees charged for all events whether the fee is charged in advance or upon entering an event. A review of the Ticket Reconciliation Form for six different athletic event admission fees revealed that the reconciliation was not being performed.

**Recommendation:**

All funds collected should be collected in compliance with the STPSB collections policy. Regarding athletic events, 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. Completing this part of the process allows for a reconciliation of receipts collected compared to tickets sold.

**Management Action Plan:**

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

**4. Compliance With Personal Transactions Policy**

**Observation:**

Personal transactions must not be performed using school activity funds. 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 forty-one disbursements were reviewed. Two of those 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. Regarding this particular employee, the employee has submitted a request to both vendors requesting that these personal reward membership points be reversed.

**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 satisfactory. 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.