

Internal Audit Report

Management of Student Activity Funds

Abney Early Childhood Center

October 4, 2023

St. Tammany Parish School System

Office of Internal Audit

Background

Abney Early Childhood Center (AECC) is located in Slidell, Louisiana and provides services to approximately 320 pre-kindergarten and kindergarten students. The St. Tammany Parish School Board (STPSB) employs individuals to work at AECC. The management structure of AECC includes a Principal and one Assistant Principal 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 AECC.
- 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 – 8/31/2023, a limited audit was performed of the financial records of AECC. 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 AECC 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 fifty-one 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 the period 9/1/2022 to 8/31/2023 were as follows:

- \$ 24,030 in receipts (29% of total \$'s receipted)
- \$ 19,234 in disbursements (34% of total \$'s disbursed)

Audit Observations/Results:

1. Compliance With Fund Collections And Deposits Policy

Observation:

The fund deposit policy requires that all receipts provided to the bookkeeper should be deposited to the bank intact daily if in excess of \$1,000. Also, all funds must be deposited to the bank on the last day of the school week and before a holiday. On several occasions, cash receipts were either held onsite in excess of what was required to be deposited to the bank and/or were not deposited on the last day of the school week.

Recommendation:

All funds collected should be deposited in compliance with the STPSB deposit policies. STPSB deposit policy requires that all funds should be deposited to the bank once the amount reaches \$1,000 and/or the last day of each school week.

Management Action Plan:

The staff has been addressed with the compliance of these policies. We have gone to a cashless system to avoid any further situations happening such as this.

2. Compliance With Fund Expenditure/Purchasing Policy and Obtain Proper Approval Prior To Purchasing School-Related Items

Observation:

As part of the disbursement's testing, a sample of eighteen disbursements were reviewed. A review of a sample of the school's Purchase Request forms within those disbursements indicated that six of the school's Purchase Request forms selected were not approved by the Principal prior to authorizing the purchase.

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. The Principal's approval by 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 Purchase Request form should be approved prior to the purchase commitment. In addition, all fields on the Purchase Request form should be completely filled out as required by the STPSB's School Finance Handbook.

Management Action Plan:

The staff will be addressed for compliance with these policies.+