

Internal Audit Report

Management of Student Activity Funds

Honey Island Elementary

November 10, 2023

St. Tammany Parish School System

Office of Internal Audit

Background

Honey Island Elementary (HIE) School is located in Slidell, Louisiana and provides services to approximately 590 second and third grade students. The St. Tammany Parish School Board (STPSB) employs individuals to work at HIE. The management structure of HIE 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 HIE.
- Review the school's compliance with STPSB School Finance Handbook (Administrative Guidelines/Best Practices for School Activity Funds Accounting).

Audit Scope

For the period 10/1/2022 to 9/30/2023, a limited review was performed of the financial records of HIE. 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 HIE 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-five 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 10/1/2022 to 9/30/2023 were as follows:

- \$ 34,229 in receipts (22% of total \$'s receipted)
- \$ 40,797 in disbursements (25% of total \$'s disbursed)

Audit Observations/Results:

1. Compliance With Fund Expenditure/Obtaining Proper Approval Prior to Purchasing School-Related Items

Observation:

As part of the disbursement testing, a sample of twenty disbursements were reviewed. A review of the school's Purchase Request forms indicated that several of the school's Purchase Request forms selected were either incomplete (missing Principal approval) or did not contain the required prior approval needed in order to request and purchase items for the school's operation.

The STPSB School Finance Handbook indicates that expenditures require prior approval from the Principal with "an amount not to exceed, or exact total" provided on the Purchase Request form. The Principal's approval signature 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:

In order to maintain an environment with appropriate internal controls regarding disbursements, all required prior written approvals or supporting documentation must be obtained and recorded. The school should follow the STPSB's School Finance Handbook that requires that the School Purchase Request form be completed prior to any purchase and that all documentation supporting the purchase be retained and provided as support for the purchase.

Management Action Plan:

All purchase approval forms will be given to the Principal one day prior to purchasing any items.

2. Compliance with Fund Expenditure – Ensure Invoice and Payment Reconcile

Observation:

A review of twenty-one disbursements included reviewing the supporting documentation for the specific expense. Several of the items sampled did not initially contain the support in MUNIS. Most of the items, related to field trips, were researched and the missing support provided. Analysis of one of the field trip vendors indicated that the school overpaid an invoice because several chaperones did not show at the event yet the vendor was paid for anticipated vs. actual attendance. In addition, the sponsor over the fieldtrip did not provide a receipt of the amount actually paid. After bringing that information to the school's attention, the bookkeeper addressed with the vendor and the vendor agreed to provide a credit for future use.

Recommendation:

When paying a vendor for field trips, the sponsor supervising the field trip should present payment and obtain a receipt from the vendor. That vendor invoice should then be provided to the bookkeeper after the fieldtrip. This will allow the bookkeeper the opportunity to reconcile the payment amount provided to the receipted amount.

Management Action Plan:

Any teacher/staff member participating in field trips will be required to turn in a receipt after making payment. The receipts will be turned into the bookkeeper on the day of the fieldtrip and the bookkeeper will put them into MUNIS.

3. 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:

The bookkeeper will in-service all teachers and staff on proper receipt distribution and will collect those to ensure protocols are being followed.