

Internal Audit Report

Management of Student Activity Funds

Little Oak Middle School

March 20, 2024

St. Tammany Parish School System

Office of Internal Audit

Background

Little Oak Middle School (LOM) School is located in Slidell, Louisiana and provides services to approximately 850 fourth through sixth grade students. The St. Tammany Parish School Board (STPSB) employs individuals to work at LOM. The management structure of LOM includes a Principal and two Assistant Principals 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 LOM.
- Review the school's compliance with STPSB School Finance Handbook (Administrative Guidelines/Best Practices for School Activity Funds Accounting).

Audit Scope

For the period 3/1/2023 to 2/29/2024, a limited review was performed of the financial records of LOM. 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 LOM 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-seven 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 3/1/2023 to 2/29/2024 were as follows:

- \$ 29,068 in receipts (24% of total \$'s receipted)
- \$ 25,745 in disbursements (16% of total \$'s disbursed)

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:

I will ensure that all of my teachers have the correct deposit forms and receipt books. I will also remind them of the protocols regarding collecting and receipting funds received from parents and/or students.

2. Compliance with Fund Deposit Policy

Observation:

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 minimal dollar deposits were noted in which cash and check receipts were retained over several consecutive days rather than deposited to the bank during the required timeframe.

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. All funds must be deposited to the bank on the last day of the school week and/or before a holiday.

Management Action Plan:

First, I will remind our teachers that once funds are received from parents/students, they must be receipted and given to our bookkeeper for deposit. Secondly, in the past, when we have minimal deposits (less than \$25 or so) on a Friday, I have allowed my bookkeeper to wait until more funds are received before bringing the deposit to the bank. It is 6.6 miles, round trip, to go

to Capital One Bank. In the future, I will direct my bookkeeper to go to the bank every Friday (or the last day prior to a holiday) regardless of how small the deposit may be.

3. Compliance With Providing All Account Sponsors With An Account Detail Of Their Fund's Activity

Observation:

All school activity sponsors are not receiving a quarterly detailed report of the fund activity. Distribution of this quarterly report is an important internal control as it relates to both receipt and disbursement validation.

Recommendation:

As indicated in the STPSB School Finance Handbook, the bookkeeper should provide a quarterly detailed report for all school activity accounts to account sponsors for restricted accounts and to the school Principal for all unrestricted accounts. All account sponsors should reconcile the report to check copies (withdrawals) and receipts (deposits) for the month. Any discrepancies should be reported to the school's administration for review and reconciliation with the bookkeeper.

Management Action Plan:

At a minimum, my bookkeeper will print a quarterly report for each of our sponsors and have each sponsor sign a copy of the detailed report of their club's fund activity. My bookkeeper will retain a copy of the signed copy.